

# Islamic Finance *news*

A **REDmoney** Product

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## Islamic Finance *news*

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ALERTS

## Enthusiasm prevails

The economic transformation that is taking place in East Asia sees Japan seeking alternative fund sources including Islamic financial instruments regardless of a very small Muslim minority.

To do this, legislative amendments still need to be made. In the meantime, the closing of two Islamic finance based transactions by Nomura Holdings have paved a concrete path for Japanese corporations to consider overseas Islamic finance markets for their future fund raising activities. This is discussed in a report by Naoki Ishikawa, partner at law firm Mori Hamada & Matsumoto, which acted for Nomura on its issuance of US\$100 million Sukuk Ijarah listed on Malaysia's bourse.

Japan's neighbor, Korea, is also exploring Islamic finance and is in a similar position in terms of drafting proposed amendments to its legal and regulatory framework. Although there have been no new key developments in Islamic finance in the republic, the pending amendment to the Special Tax Treatment Control Act will facilitate a framework for issuing Sukuk through offshore channels. A report by Lee & Ko, a member firm of the task force for Islamic finance and advisor to the ministry of strategy and finance in Korea, views the amendments as a catalyst that will later provide a momentum for allowing Islamic finance products to be issued under Korean law.

The International Islamic Financial Market is also exploring alternatives and in July released

their reference paper 'I'aadat Al-Shira'a (Repo Alternative) and Collateralization (Structuring Possibilities)'. In this context, the Islamic repo structure for liquidity management is covered in a report by Blake Goud of Sharing Risk dot Org. Goud provides an overview of conventional sale and repurchase agreements (repos) and how this tool for liquidity management could be adapted for use by Islamic financial institutions.

Whether Sukuk issuances are asset-backed could make a difference between a straightforward Sukuk or default case. A study by Mohammed Khnifer, analyzing over 21 default Sukuk cases from the past two years, talks about how default events could have been minimized or even contained if the issuances had been asset-backed. He further explores the priorities of a Sukuk issuance, on whether it lies with Sukuk holders or Sukuk originators.

Meet the Head is Moinuddin Malim, CEO and head of Islamic banking of Mashreq Al Islami while Malaysia Airports Capital's RM3.1 billion (US\$1 billion) Sukuk is the Termsheet.

Our IFN reports this week feature –Senegal discussing legal changes; Sri Lanka's Amana Takaful running short of investment options; Kuwait's Islamic finance market facing possible saturation and an industry survey by Deloitte which revealed that 66% of Islamic practitioners believe that the Islamic finance industry is under regulated.☺

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## NEWS

- Nigeria plans to sell first Islamic bond
- Malaysia unveils 10-year economic plan of US\$444 billion
- Pakistan urges Gulf lenders to establish more branches in country's rural areas
- **RAM** sees growth in Malaysia's Sukuk market this year
- **Focal Quality** fully redeems its US\$61.4 million Sukuk Ijarah
- **ICRAIndo** receives license to operate in Indonesia
- Law firm **Rajah & Tann** expands in Asia
- Islamic Finance briefings will hold a one-day workshop on the 29<sup>th</sup> October in Kuala Lumpur
- **Bank Kerjasama Rakyat Malaysia** seeks one million new borrowers
- Conflicting laws prevent establishment of Islamic bank in South Korea
- **Hadinoto**, partner at law firm **Hadiputranto, Hadinoto & Partners** passes away
- **Daruma** is **Argus Capital** and **Qatar First Investment Bank's** advisor for **Memorial** takeover
- **Islamic Bank of Britain's** pre-tax loss down by 6.1% for first half of 2010
- **DIFC** signs agreement with **Madrid Centro Financiero** to boost Islamic finance
- **S&P Global BMI Shariah Index** removes non-Shariah compliant companies
- Gulf Islamic investment banks expect resurgence via specialized business lines, according to **Moody's**
- Persian Gulf banks and companies may be the highest Islamic debt issuer in the fourth quarter of 2010
- GCC's Islamic banking industry expects to deliver growth of 15% to 20%, said **KFH Research**
- Central bank of Bahrain Sukuk Al-Ijara oversubscribed by 620%
- Kuwait is saturated with Islamic banks, according to the **Central Bank of Kuwait**
- **Jadwa Investment** upgrades its banking softwares
- **Lombard Odier** considers partnership with a Shariah compliant fund
- **Nakheel** to list five-year US\$1.63 billion Sukuk on Nasdaq Dubai
- The UAE local banks to bring in a maximum of US\$817 million in provisions for second half of 2010
- **Allfunds Bank** becomes first Shariah compliant B2B platform
- Islamic finance industry is under regulated, according to **Deloitte**
- **Al Barakah Banking Group** eyeing Malaysian and Indonesian banks
- **Qatar Islamic Bank** to launch US dollar-denominated Sukuk
- **S&P** affirms **Commercial Bank of Kuwait** at 'BBB/A-'
- **Abu Dhabi Islamic Bank** unveils wealth management service for investment
- **Dubai Islamic Bank** to raise its stake in Tamweel to 57.33%
- Public prosecutors impose new charges against seven suspects initially in **Dubai Islamic Bank's** fraud case
- **Mubadala Development Company** posts revenue of US\$2.2 billion in first half of 2010
- **Ithmaar Bank** launches Shariah compliant prize based saving account
- **Ajman Bank** integrates Quick Response technology to its banking services
- **KIPCO** agrees to sell 39.2% stake in Gulf Insurance Company to **Fairfax Financial Holdings**

## RATINGS

- **RAM** reaffirms **Malakoff's** Islamic securities at 'AA3' and 'A2'
- **MARC** places **DRIR Management's** Class A and Class B Sukuk Ijarah MTN on MARCWatch Developing
- **RAM** reaffirms ratings of **Penang Bridge's** US\$253.3 million Bai Bithaman Ajil and US\$224.3 million Sukuk Istisnah
- **Moody's** attributes foreign currency issuer rating of 'B1' to country's better economic prospects

- **MARC** downgrades **Vastalux Capital's** Sukuk Musharakah to 'BB+IS'
- **MARC** affirms its 'AAID' and 'MARC-1ID'/'AAID' ratings on **MISC's** Islamic term notes
- **RAM** reaffirms long- and short-term ratings of **The Bank of Tokyo-Mitsubishi** at 'AA1' and 'P1' respectively
- **MARC** affirms ratings of **Emas Kiara Industries'** partially underwritten Murabahah notes at 'MARC-2ID'/'AID'
- **AM Best Europe** affirms 'A- (Excellent)' financial strength rating and 'a-' issuer credit rating for **SALAMA**
- **CI** affirms long- and short-term ratings of **Bank Muscat** at 'A' and 'A1'
- **Fitch** assigns long term rating of 'A' to **QIB Sukuk Funding's** senior unsecured trust certificates
- **CI** affirms ratings of **First Gulf Bank's** at 'A+' long term and 'A1' short term
- **Fitch** affirms long term foreign and local currency issuer default ratings for Abu Dhabi at 'AA'
- **Moody's** expects Saudi Arabia's banking system to remain stable for the next 12 to 18 months
- **S&P** has downgraded long term issuer credit rating of **Jebel Ali Free Zone** to 'B' from 'B+'

## MOVES

- **Ashok Aram** is **Deutsche Bank's** CEO of the Middle East and North Africa
- **Barwa Bank** appoints new members of senior executive management team
- **Societe Generale Corporate & Investment Banking** names **John Osborne** as managing director, head of financial institutions and governments
- **UBS** hires **Naomi Takagi** as analyst to its equity research team in Japan
- **RBC Wealth Management** appoints **Michael Lagopoulos** as its deputy chairman, ultra high net worth – international business
- **Barclays Capital** makes two senior appointments to its equity research team in Asia Pacific

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## AFRICA

### Country's pioneer Sukuk

**NIGERIA:** Nigeria is planning to sell its first Islamic bond within 12 months and become the Islamic finance hub in the African region.

The government has not confirmed the size of the Sukuk.

Naji Nabaa, associate director of fixed-income sales for the MENA region at Exotix, said Nigeria's Islamic bond would create interest among investors from the Persian Gulf due to a lack of sovereign borrowers in the region's Sukuk market. <sup>(2)</sup>

## ASIA

### Ambitious economic plans

**MALAYSIA:** The country has revealed a 10-year economic plan involving investments of RM1.3 trillion (US\$444 billion) to enable Malaysia become a high income economy nation by 2020.

Idris Jala, minister in the Prime Minister's department and CEO of Performance Management and Delivery Unit (Pemandu) laid out the plan where, 131 projects and 60 business opportunities have been identified. One of the projects includes leveraging Malaysia's position in the Islamic finance industry in Turkey, Indonesia and Egypt.

Pemandu is a unit under the Prime Minister's department, responsible for overseeing the implementation and assessment of the government's economical program in Malaysia. <sup>(2)</sup>

### Banking for rural areas

**PAKISTAN:** The government is urging Gulf lenders to open branches in the country's rural areas as it seeks to double Islamic banking assets in three years.

Pakistan has six Islamic banks and plans to approve two more as it aims to channel financing to rural communities, according to Saleem Ullah, director of Islamic banking at the central bank, State Bank of Pakistan. <sup>(2)</sup>

### Sukuk market to expand

**MALAYSIA:** RAM Rating Services (RAM) projects a promising growth in the Sukuk

market this year, according to Zakariya Othman, head of RAM Islamic ratings.

Zakariya said that government-related infrastructure projects and capital-raising exercises by banks will lead activities in the domestic debt capital market.

There are also interest from global players to issue ringgit-denominated Sukuk and possibilities of new Sukuk issues by Malaysian entities, Zakariya added. <sup>(2)</sup>

### Focal Quality redeems Sukuk

**MALAYSIA:** Focal Quality has fully redeemed its RM190 million (US\$61.4 million) Sukuk Ijarah after the company exercised the put

option granted by lessees, according to RAM Rating Services (RAM).

Following this redemption, RAM no longer has any rating obligation on Focal Quality's Sukuk Ijarah. <sup>(2)</sup>

### License in hand

**INDONESIA:** ICRAIndo, a subsidiary of credit rating agency ICRA has received the license to operate in the Indonesian market which would be ICRA's first formal overseas foray.

ICRAIndo would focus on rating of banks and their loan instruments, corporate

*continued...*

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International Business and Financial Centre, Malaysia

*continued...*

bonds, commercial papers and insurance companies. <sup>(f)</sup>

## Aiming for bigger share

**SINGAPORE:** Law firm Rajah & Tann is planning to establish offices in Vietnam, Cambodia and Indonesia, as well as to increase its presence in Malaysia and China.

Lee Eng Beng, senior counsel at Rajah & Tann said this decision is part of the firm's target to be a regional player in Asia.

"Asian projects contribute 25% of the firm's total revenue and we aim to double it in five years," Lee added.

Rajah & Tann provides Islamic finance advisory services via its Singapore and Malaysia based office. <sup>(f)</sup>

## Islamic derivative workshop

**MALAYSIA:** *Islamic Finance briefings* will organize a one-day interactive workshop on 'Structuring Islamic Derivative Instruments' on the 29<sup>th</sup> October in Kuala Lumpur.

The workshop will be conducted by Dr Asyraf Wajdi Dusuki, head of research affairs at International Shariah Research Academy for Islamic Finance.

It will address the issues on product development and identifying market needs, via Shariah parameters of various instruments including Islamic forwards, swaps and options. <sup>(f)</sup>

## New borrowers

**MALAYSIA:** Bank Kerjasama Rakyat Malaysia (Bank Rakyat), a local Islamic cooperative expects to give out RM22 billion (US\$7 billion) worth of personal financing this year, by getting one million new borrowers.

Kamaruzaman Che Mat, managing director at Bank Rakyat said the bank currently has a total of 1.5 million customers, where 900,000 of them are personal financing users. <sup>(f)</sup>

## Roadblocks for Islamic bank

**SOUTH KOREA:** The Islamic Bank Korea Organizing Committee's plan of setting up an Islamic bank in the country, Al Amir Bank, is

still facing challenges with the financial laws and proposed tax changes.

Lee Tong-ho, former president of Korea Development Bank said the committee has difficulties in finding Islamic investors, as South Korea's financial laws are at odds with the Islamic finance principles.

Additionally, Korea has not approved the proposed tax changes for the issuance of Islamic bonds by Korean companies, due to opposition from local Christian groups. <sup>(f)</sup>

## Loss of a partner

**INDONESIA:** Tuti Dewi Hadinoto, one of the founding partners of law firm Hadiputranto, Hadinoto & Partners (HHP) has passed away in Jakarta last weekend.

Hadinoto co-led the capital market practice group at HHP.

HHP, a member firm of Baker & McKenzie International in Indonesia, provides Islamic finance advisory services. <sup>(f)</sup>

## EUROPE

### Acquisition advisor

**TURKEY:** Daruma Corporate Finance (Daruma) is the advisor for Argus Capital and Qatar First Investment Bank (QFIB) for the takeover of 40% of the shares of Memorial Healthcare Group (Memorial).

QFIB and Argus Capital have each acquired a 20% stake in Memorial this month.

Daruma is a financial advisory company specializing in debt and equity finance. <sup>(f)</sup>

### Narrow loss for IBB

**UK:** Islamic Bank of Britain has posted a 6.1% drop in its pre-tax loss to reach GBP4.34 million (US\$6.81 million) for the first half ended on the 30<sup>th</sup> June 2010.

In the same period, the bank's operating income also fell 30.5% to GBP695,000 (US\$1.1 million). <sup>(f)</sup>

### Mutual gain via MoU

**SPAIN:** The Dubai International Financial Centre (DIFC) has signed an MoU with Madrid Centro Financiero (MCF) to support

bilateral relations between Spain and the Middle East, Africa and South Asia region.

The agreement will also enable DIFC and MCF to explore ways to foster Islamic finance activities on a cross border scale. <sup>(f)</sup>

## GLOBAL

### S&P removes companies

**GLOBAL:** Standard & Poor's (S&P) Global BMI Shariah index has removed Holmen AB A and Holmen AB B from its index effective the 24<sup>th</sup> September 2010.

This removal comes after findings that these companies are not Shariah compliant. <sup>(f)</sup>

### A different revival

**GLOBAL:** Islamic investment banks in the Gulf are expected to see a potential revival in the form of specialized business lines of larger Islamic banking groups, according to Moody's Investors Service (Moody's).

Moody's explained these investment banks will make this switch from being the preserve of boutique investment houses.

It added that this decision is attributed to the global financial crisis that had led to a near-collapse of the Islamic investment banks model, with several of mid-crisis defaults of Islamic investment banks. <sup>(f)</sup>

### Persian Gulf Sukuk soars

**GLOBAL:** Banks and companies in the Persian Gulf may issue the most Islamic debt in three years in the fourth quarter of 2010 due to economic growth acceleration and debt restructuring in the region according to a market survey.

Islamic Development Bank plans to raise US\$1 billion in Sukuk and bring planned offerings in the region to US\$5.5 billion for the remaining of 2010.

This figure is the highest since the third quarter of 2007 when sales reached US\$5.7 billion. <sup>(f)</sup>

### High growth projection

**GLOBAL:** The Islamic banking sector, which accounts for 17% of the GCC banking assets, is expected to grow annually at 15% to 20% *continued...*

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in the region, according to Kuwait Finance House Research (KFH Research).

According to KFH Research, Kuwait's Islamic banking sector accounted for 34.3%, Qatar (19.3%), Saudi Arabia (15.9%), the UAE (14.0%), and Bahrain (10.9%).

The growth is based on the robust regulatory framework, increase in gross domestic products, government's development plans and expansion of Islamic finance in the region. <sup>(f)</sup>

## MIDDLE EAST

### Double profit

**BAHRAIN:** The monthly BHD10 million (US\$26.5 million) Sukuk Al-Ijara issued by The Central Bank of Bahrain (CBB) have been oversubscribed by 620% to reach BHD62 million (US\$164.4 million).

It will mature on the 24<sup>th</sup> March 2011 and carries an expected return of 0.85%.

The CBB's monthly BHD12 million (US\$32 million) Sukuk Al-Salam has also been oversubscribed and reached BHD55.5 million (US\$147 million). These issues carried an expected return of 0.67% and will mature on the 29<sup>th</sup> December 2010. <sup>(f)</sup>

### Flood of Islamic banks

**KUWAIT:** The country is saturated with Islamic banks, said Sheikh Salem Abdul-Aziz al-Sabah, governor of the Central Bank of Kuwait.

The governor added that there are five Kuwaiti Islamic lenders and five conventional banks registered with the central bank.

Although the current view of saturation may be accurate, future demand could pick up in the country, said Ali al-Nimesh, an independent analyst. <sup>(f)</sup>

(Also see IFN Report on page 11)

### Beneficial upgrade

**SAUDI ARABIA:** Jadwa Investment has upgraded to Advent Portfolio Exchange (APX) and Advent Tradex to streamline operations and support client service capabilities.

APX is a portfolio and client relationship management solution, while Advent Trade is a fund order management solution.

Abdullah Al Eisa, CEO at Jadwa Investment said this upgrade will enable the company to boost its operational efficiencies and obtain better risk management. <sup>(f)</sup>

### Partnership for Islamic finance

**UAE:** Lombard Odier, a Swiss private bank is considering a partnership with a Shariah compliant fund to develop its Islamic finance products in the Middle East.

Arnaud Leclercq, head of the bank's private clients business in eastern countries and the Middle East said that the company prefers going to Islamic finance experts instead of developing their own Shariah board.

This partnership move comes as the bank plans to more than double its current business from the Middle East, from less than 10% of its assets under management of US\$149 billion, to a target of 20%. <sup>(f)</sup>

### Nakheel's Sukuk listing

**UAE:** Nakheel is planning to launch a five-year Sukuk by end of the year when the firm expects to conclude its debt restructuring process, according to Chris O' Donnell, CEO of Nakheel.

Ziad Makhzoumi chief financial officer of Arabtec Holding Company further commented that the company also plans to list the Sukuk on Nasdaq Dubai.

The value of the Sukuk will be derived after the debt settlement of which 85% of the financiers have agreed to the deal.

Arabtec is a trade creditor of Nakheel and is involved in the company's debt restructuring. <sup>(f)</sup>

### High provisions

**UAE:** Local banks could book a maximum of AED3 billion (US\$817 million) in provisions associated with the Dubai World's debt restructuring for the second half of 2010, inhibiting the banking industry's performance, according to Shuaa Capital.

Shuaa Capital reported that this figure is based on the restructuring proposal terms for Dubai World.

The company expects Emirates NBD to allocate the highest amount for its exposure during the period. <sup>(f)</sup>

### First Islamic B2B platform

**UAE:** Allfunds Bank is the first and only business-to-business (B2B) fund platform to fully comply with Shariah principles. This comes after its endorsement by the Shariah board of Amanie Dubai, a consultancy firm.

The bank which launched an Islamic services unit to serve its global investors already offers more than 80 Shariah compliant funds through promoters from Luxembourg, Ireland, the UAE and Saudi Arabia. <sup>(f)</sup>

### Industry under regulated

**UAE:** Majority of Middle East Islamic finance leaders believe that the Islamic finance industry is under regulated, according to Deloitte Islamic Finance Knowledge Center.

In the survey, 79% of respondents support amalgamation initiatives of AAOIFI standards with IFRS (International Financial Reporting Standards).

The survey also reported that 64% of the industry leaders agree that Islamic finance institutions are lagging behind on the implementation of risk management systems. <sup>(f)</sup>

(Also see IFN Report on page 10)

### Cross-border acquisitions

**BAHRAIN:** Al Barakah Banking Group plans to buy banks in Malaysia and Indonesia with deals worth US\$200 million.

Adnan Ahmed Yousif, CEO of the group said, "We prefer to either start an Islamic bank or acquire one."

The group has held discussions with Bank Muamalat Malaysia about buying a stake, but has not reached a deal, added Adnan. <sup>(f)</sup>

### New dollar Sukuk

**QATAR:** Qatar Islamic Bank will launch a US dollar-denominated benchmark Sukuk transaction and has appointed Credit Suisse, HSBC and QInvest as joint lead managers and bookrunners.

*continued...*

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The Sukuk is expected to be launched following an investor roadshow in the Middle East, Asia and Europe commencing the 24<sup>th</sup> September 2010. (👉)

## Supported by shareholders

**KUWAIT:** Standard & Poor's Ratings Services (S&P) affirmed 'BBB/A-2' long- and short-term counterparty credit ratings on Commercial Bank of Kuwait (CBK), with a stable outlook.

The rating reflects the bank's capitalization, liquidity position and ongoing support from its main shareholders and Kuwaiti authorities.

However, S&P has withdrawn the ratings upon CBK's request. (👉)

## New service from ADIB

**UAE:** Abu Dhabi Islamic Bank (ADIB) has launched a wealth management service to meet the public and wealthy individuals' demand for Shariah compliant investment.

Malik Sarwar, co-head of private banking and wealth management group at ADIB, said the new service will offer a range of investment solutions including Sukuk, equities, treasury markets, commodities, mutual funds, real estate advisory, trust, and private investments. (👉)

## Mortgage market booster

**UAE:** The Dubai government has given its approval to Dubai Islamic Bank (DIB) to increase its stake in the Islamic mortgage provider Tamweel to 57.33% from 21%. It did not give a financial value for the transaction.

With this, DIB has become the largest shareholder of Tamweel and will allow the company to resume its business.

The move will also provide a boost to the local mortgage market affected by the global financial crisis. (👉)

## New charges

**UAE:** The Dubai public prosecutors have included new charges for seven suspects who were initially involved in the fraud case of Dubai Islamic Bank (DIB).

Public prosecutors have charged the seven suspects with embezzling of public funds, helping others to steal public funds, inflicting intentional loss to the government, unlawful profiting, forging and using DIB's unofficial documents. (👉)



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GIFF 2010 is a high-level multi-track event that brings together regulators, scholars and financial industry players who are key drivers in shaping Islamic finance globally. This event is organised in collaboration with the Association of Islamic Banking Institutions Malaysia (AIBIM), Malaysian Takaful Association (MTA), the International Shariah Research Academy for Islamic Finance (ISRA) and the REDmoney Group.

GIFF 2010 is organised in support of the Malaysia International Islamic Financial Centre (MIFC) initiative to develop Malaysia as a hub for international Islamic finance.

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### Spike in revenue

**UAE:** Mubadala Development Company has registered a revenue of AED8 billion (US\$2.2 billion) from its operations in the first half of 2010.

This figure is a AED2.1 billion (US\$571.7 million) increase from the same period in 2009.

The strong revenue was supported by Mubadala's robust performance in the aerospace, infrastructure, and oil and gas industry. (3)

### New savings account

**BAHRAIN:** Ithmaar Bank has launched a Shariah compliant savings account known as Thimaar to encourage saving habit among Bahrainians.

The account offers cash prizes worth US\$1.65 million, free Life Takaful coverage from Solidarity and a built-in loyalty scheme. (3)

### Ajman upgrades technology

**UAE:** Ajman Bank has become the first bank in the Gulf to integrate Quick Response (QR) code technology into its banking services.

QR is a two-dimensional barcode that allows financial information to be viewed via camera phone and downloadable scanner. The bank aims to educate customers on the use of QR through its campaigns. (3)

### KIPCO to sell stake

**KUWAIT:** Kuwait Projects Company (KIPCO) has signed an agreement worth US\$208.6 million to sell its 39.2% stake in Gulf Insurance Company (GIC) to Canada based Fairfax Financial Holdings.

Under the deal, Fairfax will purchase the stake in the insurance firm from KIPCO via Kuwait Stock Exchange for 900 fils (US\$3.14) a share.

With the purchase, Fairfax will own a 41% stake in the company, while Kipco remains the largest shareholder of GIC with 43%.

GIC provides Takaful services in seven Arab countries — Syria, Lebanon, Egypt, Bahrain, Jordan, Saudi Arabia and Kuwait. (3)

## IFN 2010

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## ASIA

### Low performance



**MALAYSIA:** RAM Rating Services has reaffirmed the 'AA3' rating of investment holding company Malakoff

Corporation's (Malakoff) RM5.6 billion (US\$1.6 billion) Islamic medium term notes and the 'P1/AA3' ratings of its RM600 million (US\$176 million) Islamic commercial paper/medium term notes.

The long term ratings of these senior Sukuk have a stable outlook.

Simultaneously, the 'A2' long term rating of the company's RM1.7 billion (US\$497 million) junior Sukuk has also been reaffirmed with its outlook revised from stable to negative, while maintaining a negative outlook on the Sukuk.

This follows the constant operational setbacks of Kapar Energy Ventures which Malakoff has a 40% stake. (f)

### DRIR Sukuk on watch



**MALAYSIA:** Malaysian Rating Corporation (MARC) has placed DRIR Management's (DRIR) RM180 million (US\$58.2 million) Class A and RM160 million (US\$51.7 million) Class B Sukuk

Ijarah MTN on MARCWatch Developing pending a proposed refinancing of the Sukuk by DRIR.

MHS Aviation (MHSA), the seller-lessee in the Sukuk Ijarah's transaction and sister company of DRIR, is seeking to restructure its lease obligations and raise additional working capital financing after securing a key contract. Refinancing of the Sukuk is expected to occur by year end.

MARC said that these developments will ease existing downward pressure on Sukuk ratings caused by a breach of DRIR's finance service cover ratio and lower-than-expected cash flow generation at MHSA. (f)

### Penang Bridge gets 'AA2'



**MALAYSIA:** RAM Rating Services (RAM) reaffirmed 'AA2' ratings of Penang Bridge's RM785 million

(US\$253.3 million) Bai Bithaman Ajil facility (2000/2013) and RM695 million (US\$224.3

million) redeemable zero coupon serial Sukuk Istisnah (2006/2019).

The outlook for the long term rating is stable.

The affirmation reflects Penang Bridge's current position as the only link from the mainland to Penang Island and a 11.7% traffic volume increase for the first half of 2010. (f)

### Improving economically



**SRI LANKA:** Moody's Investors Service (Moody's) has assigned a 'B1' foreign currency issuer rating to

the government of Sri Lanka. The outlook is stable.

The ratings were attributed to the end of Sri Lanka's civil conflict and improvement in its economic prospects. (f)

### Relegated rating



**MALAYSIA:** Malaysian Rating Corporation (MARC) has downgraded its rating on Vastalux Capital's RM100 million (US\$30 million) Sukuk Musharakah facility to 'BB+IS' from 'A+IS' and placed the rating on MARCWatch Negative.

Vastalux Capital is the special purpose vehicle of Vastalux, an oil and gas firm.

The move is based on Vastalux's insufficient collection from the sinking fund, due to the lack of funds collected from its projects. (f)

### Double achievement



**MALAYSIA:** Malaysian Rating Corporation (MARC) has affirmed its 'AAAID' and 'MARC-1ID'/'AAAID'

ratings on MISC's RM2.5 billion (US\$807 million) Islamic medium term notes program and RM1 billion (US\$323 million) Murabahah commercial papers/medium term notes program, respectively with a stable outlook.

MISC is a local maritime transportation and logistics provider.

The confirmation is based on MISC's position and track record in the energy transportation segment and close strategic alignment of its business with parent, Petroliaam Nasional.. (f)

### Solid standing



**MALAYSIA:** RAM Rating Services (RAM) has reaffirmed the respective long- and short-term ratings of The Bank of Tokyo-Mitsubishi at 'AA1' and 'P1'. The long term rating has a stable outlook.

The Bank of Tokyo-Mitsubishi offers Islamic financial products and services.

The reaffirmation is based on the bank's Japanese franchise and funding position. (f)

### Banking on reputation



**MALAYSIA:** Malaysian Rating Corporation has affirmed the ratings of geosynthetic Emas Kiara

Industries' RM80 million (US\$25.8 million) partially underwritten Murabahah notes issuance facility/Islamic medium term notes issuance facility at 'MARC-2ID'/'AID'.

The rating outlook is revised to stable from developing.

The confirmation is based on Emas Kiara's track record in the domestic geosynthetic industry. (f)

## MIDDLE EAST

### Financially strong



**UAE:** AM Best Europe - Rating Services (AM Best Europe) has affirmed financial strength rating

of 'A- (Excellent)' and issuer credit rating of 'a-' for SALAMA Islamic Arab Insurance Company (SALAMA) with stable outlook for both ratings.

The ratings reflect SALAMA's solid business profile, improved profitability and strong risk-adjusted capitalization. (f)

### Bank Muscat on firm ground



**OMAN:** Capital Intelligence (CI) has affirmed Bank Muscat's foreign currency ratings at 'A' long- and

short-term ratings at 'A' and 'A1' respectively with stable outlook.

continued...

continued...

The government of Oman's ownership of the bank supports the ratings.<sup>(f)</sup>

## Thumbs up for QIB



**QATAR:** Fitch Ratings has assigned a long term rating of 'A' to QIB Sukuk Funding's senior unsecured trust

certificates.

QIB Sukuk Funding is the special purpose vehicle for Qatar Islamic Bank.

The placement is based on the bank's 'A' stable rating.<sup>(f)</sup>

## Profitability stables outlook



**UAE:** Capital Intelligence (CI) has affirmed First Gulf Bank's foreign currency ratings at 'A+' long term and 'A1' short term

with a stable outlook. The affirmation is based on the bank's good profitability and solid capital adequacy ratio as well as its ownership by the Abu Dhabi sovereign and federal governments.<sup>(f)</sup>

## Abu Dhabi gets 'AA'



**UAE:** Fitch Ratings (Fitch) has affirmed Abu Dhabi's long term foreign and local currency issuer default ratings at 'AA' with a stable outlook.

Fitch also affirmed Abu Dhabi's short term foreign currency IDR at 'F1+' and the UAE country ceiling at 'AA+'.

Abu Dhabi's rating reflects its strong balance sheet and financing flexibility.<sup>(f)</sup>

## Maintaining stability



**SAUDI ARABIA:** The outlook for the Saudi Arabia's banking system will remain

stable for the next 12 to 18 months despite the continued challenging operating system, according to Moody's Investor Services (Moody's).

According to Moody's, the prospect was based on the government's fiscal stimulus, strong liquidity and regulatory environment.<sup>(f)</sup>

## One notch down



**UAE:** Standard & Poor's Ratings Services (S&P) has downgraded long term issuer credit rating of Jebel Ali Free Zone (JAFZ) to 'B' from 'B+' and removed it from CreditWatch. The outlook is negative.

According to S&P, the move is due to the lack of transparency of its parent Dubai World and restructuring plans for JAFZ.<sup>(f)</sup>

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## Amana in difficulty without Shariah investments

The underdeveloped Shariah compliant investment market in Sri Lanka has understandably hindered Amana Takaful's growth during the past fiscal year. Tyeab Akbarally, chairman of Amana Takaful addressing the shareholders stated that the development of non-interest based investment vehicles are a continuing battle for the company and it could only invest in a limited number of Shariah compliant ventures in 2009.

During the period in focus, Amana Takaful earned an investment income of LKR45.1 million (US\$402,600) compared to LKR49.9 (US\$445,500) in 2008. Income generated from Shariah compliant investments in 2009 was LKR18.7 million (US\$167,000), a LKR20.5 million (US\$183,000) reduction compared to the LKR39.2 million (US\$350,000) in 2008. The dividend income of LKR10 million (US\$89,007) received from its subsidiary, Amana Global, has offered some cushioning to the total investment income of Takaful based company.

Last year, based on a strategic decision by Deutsche Bank to move away from dealing in Shariah compliant Islamic products in overseas markets, Amana Takaful was compelled to withdraw its investment of LKR180 million (US\$1.6 million) from the German based bank. Due to the lack of Shariah compliant investment opportunities available, Amana Takaful has since failed to find a new and adequate place to park this investment.

Faizal Salieh, director of Amana Takaful and managing director of Amana Investments told *Islamic Finance news* that income from Shariah compliant ventures are used to underwrite losses and in the absence of such opportunities, the company has faced a difficult situation. Faizal also believes that developing Shariah compliant investment products is a time consuming matter and a more economical option would be to place the funds into a bank, perhaps Amana Bank when it opens in 2011.

Damitha Narangoda, director supervision of the Insurance Board of Sri Lanka (IBSL) told *Islamic Finance news* that there is no mandate to issue Takaful licences in Sri Lanka and that Amana was only issued with a conventional insurance license. Although Amana Takaful "complains frequently" about difficulties to fall in line with the regulatory requirements based on the underdeveloped Shariah compliant investment vehicles, IBSL would consider "suspending it" if they failed to follow the rules, according to Narangoda. "Shariah is not our problem," he said.

Although there are Shariah compliant companies listed on the Colombo Stock Exchange (CSE), regulatory guidelines have prevented Amana from investing all of its money on the stock market. The technical reserves and long-term investments for insurance companies are determined by the IBSL. According to section 25 (1) of the determinations any single investment in listed shares in any one company should not exceed 5% of the issued shares. Other available options are corporate debt including bonds and debentures, bank deposits with licensed commercial banks and licensed specialized banks, investments in land and buildings, policy loans, and unit trusts. Other than Amana Takaful, which is listed on CSE, there are 49 Shariah compliant companies featuring a wide range of blue-chip ventures. Tushara Jayaratne, manager business development of CSE told *Islamic Finance news* that a bullish trend in Sri Lanka would help any investor meet its investment targets.

Although the Takaful business is facing problems, Amana will be opening the first full-fledged Islamic bank in Sri Lanka during the first quarter of next year. Mahinda Abeyratne, deputy director bank supervision of the Central Bank of Sri Lanka (CBSL) told *Islamic Finance news* that the application to form Amana Bank has met regulatory requirements and is awaiting approval from the minister of finance and planning, who is also the president of Sri Lanka.

Reyaz Mihular, a partner at KPMG (Sri Lanka) confirmed to *Islamic Finance news* that the proposed Amana Bank has raised funds of LKR3.2 billion (US\$28.6 million), which exceeds the minimum capital requirement set by the CBSL and is looking forward to obtaining the exchange control and swift code licences after receiving the final nod from the ministry of finance and planning. In par with international standards, the Monetary Board of CBSL has increased the minimum capital requirements of all commercial banks from LKR2 billion (US\$17.8 million) to LKR3 billion (US\$26.8 million), which should be met by the end of December 2011. ☺

## Lack of regulations in the Islamic finance industry

A survey conducted by Deloitte revealed that some 66% of Islamic finance leaders in the Middle East believe that the Islamic finance industry is under regulated and needs to enhance the parameters for risk detection and good governance promoted by the Islamic Financial Services Board (IFSB), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Islamic Financial Market (IIFM).

According to key findings in this study, Islamic accounting standards and risk management were identified as the top two areas requiring new regulatory measures. More than 58% of the industry leaders surveyed viewed Shariah and corporate governance as prerequisites for best practices. Ranking the areas that require new regulatory measures to ensure compliance of regulation and best practices in Islamic finance — 61% identified Islamic accounting standards and risk management equally; corporate governance 58%; Shariah standards and compliance 55%; bank credit exposures 45%, and conduct of business and professional excellence 42%.

The report is based on an online survey sent to over 40 Islamic financial institutions, practitioners and policy makers across the Middle East. The survey is the first of a bi-annual series targeted at industry practitioners in order to understand the market sentiments and how Islamic finance leaders perceive the current economic slowdown, business performance, and practice issues, as well as what activities they are focusing on and what priorities are lined up.

Some 84% of respondents believe that the level of Islamic finance regulations will increase in the GCC as one of the post global financial crisis measures. Placing Malaysia, Sudan and Pakistan as better examples, 57% believe that a single Shariah supervisory council in any one jurisdiction is better for industry growth. This is against other leaders indicating for independent Shariah supervisory boards for each individual Islamic financial institution (IFI).

Moving forward, half of the industry leaders who took part in the survey confirmed that they do not have a risk management system to address Islamic financial product requirements. Among the key dangers faced by IFIs, credit risk was identified as the most important area, followed by operational and market risks. Looking at the Basel

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guidelines, 97% of the leaders consider it relevant for Islamic finance to eliminate a considerable percentage of risk. However, some 64% leaders highlighted that IFIs are lagging behind on the implementation of risk management systems.

Expressing their views on transparency and best practices, 93% believe that the accounting standards of AAOIFI are sufficient although it has a varying effect on the implementation, disclosure and compliance practices of IFIs.

According to Deloitte, the analysis of the survey shows that Islamic finance will continue to grow despite the economic slowdown. Dr Hatim El-Tahir, director of the Islamic Finance Knowledge Center of Deloitte (Bahrain), stated that although Islamic finance is expected to continue its growth path, the development of the industry's infrastructure and regulatory framework is of high concern to most executives who took part in the survey.<sup>(3)</sup>

## Low Islamic banking growth in Kuwait

The Islamic banking and finance sector in Kuwait is an important contributor to the GCC. It accounts for 34.3% of domestic and 17% of the GCC's total banking assets. This year, the Islamic banking sector in Kuwait is expected to post a double digit growth exceeding 20%, according to Kuwait Finance House (KFH). However, Sheikh Salem Abdul Aziz Al-Sabah, governor of the Central Bank of Kuwait (CBK) last week identified the domestic Islamic banking sector as saturated.

However, Naveed Ahmed, a financial analyst at Global Investment House (Kuwait) disagrees with the governor of CBK on Islamic banking sector saturation, told *Islamic Finance news* that the industry is experiencing a temporary stagnation due to the financial crisis. He also stated that a proposed stimulus package of US\$107 billion would help the Kuwait's economy recover. A senior official of Boubyan Bank (Kuwait) who did not want to be named agreed that the economic recovery will be slow but incomparable with jurisdictions such as Malaysia.

Abdul Aziz Abu Bakar, vice president treasury Islamic of CIMB Islamic (Malaysia) told *Islamic Finance news* that Islamic banks in Malaysia are keen to tap new markets instead of converting customers from conventional banking. In addition to new markets, the Islamic banks in Malaysia offers moderate financial solutions and services that keep the industry moving without getting saturated as seen in Kuwait.

In comparison to Kuwait is Malaysia, where according to Mohammed Hassan Ismaeel, director global marketing of HSBC Amanah (Malaysia), the Islamic banking and finance market in Malaysia will not get saturated and would keep on growing due to its innovation although the governor of the Central Bank of Kuwait (CBK) identified the domestic Islamic banking sector as saturated. Furthermore, Mohamed Ismail Mohamed Shariff, a partner at law firm Skrine (Malaysia) told *Islamic Finance news* that Islamic bankers should also consider expanding into other regions which will avoid possible saturation.

Kuwait's association with Islamic finance dates back to 1977, the year KFH was established. However, in 2004 the state took a decision that ended KFH's monopoly and opened the market for other financial institutions to establish their presence in Kuwait.

Since then, CBK took cautious regulatory and supervisory measures

following international best practices and standards in the Islamic banking sector, which led to the establishment of six Islamic banks and 51 Shariah compliant financial wealth management firms. According to KFH, the total assets of Kuwait's Islamic banks grew at an average rate of 25% during 2003 – 2007, which encouraged more Islamic finance products and services in the country.

In 2007 and 2009 respectively, the Kuwait Ministry of Commerce and Industry passed Order No 388 of 2007, amending the Executive Regulation No 113 of 1992, to promulgate issuance of Sukuk by adding the word "Sukuk" to conventional bonds. However, it did not meet the market expectation of a set of new Sukuk regulations. The Financial Stability Amiri Decree No 2 of 2009, allowed issuance of convertible Sukuk by distressed financial institutions that failed to secure equity finance through rights offers.<sup>(3)</sup>

## Changing laws to promote Islamic banking

Senegal has started to amend its laws to establish full-fledged Islamic banks before the end of 2011. Once established, the banks will cater to the bankable population estimated at 94% of 12.5 million.

Although, Senegal is an Islamic country, the absence of a full-fledged Shariah compliant financial institution has discouraged people from using the banking system. Dr Birahim Seck, CEO of SYM International Finance Corporation (Senegal) told *Islamic Finance news* that money is kept hidden at homes without being deposited in conventional banks and is spent mainly on consumables. He believes that Islamic banks will have a considerably high potential of success in Senegal will effective marketing campaigns, which will hopefully change the unnecessary spending habits of the Senegalese.

Senegal is a West African country and a former French colony. Although, Senegal became an independent republic in 1960 the country remains to be governed by French laws. These laws have little recognition of Islamic finance and need to be changed, added Dr Birahim.

However, Senegal does not have a central bank. It follows the guidelines set by the West African States Central Bank, which is the regulator for the eight regional countries: Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Togo and Senegal. In the absence of a central bank in Senegal, the banking sector may not reach the anticipated growth targets regardless if the laws are amended or not.

Identifying the potential, the government established the Islamic Bank of Senegal (IBS) in 1983 to provide both conventional and some Islamic banking products and services. The government holds 22% of the shares, Dar Al Maal Al Islami (Geneva) 45% and the Islamic Development Bank (IDB) 33%. A senior official of IBS, who did not wish to be named, told *Islamic Finance news* that the Senegalese prefer Islamic banking due to its religious elements. However, in the absence of banking regulations and high poverty levels the full-fledged Islamic banks will find it difficult to operate.

However, Sidi Taleb, director of IDB told *Islamic Finance news* that Senegal should change its laws to attract new Islamic banks. He believes that it is premature to comment on the ongoing study for legal changes but if the laws are changed it would create opportunities for full-fledged Islamic banks to provide a better service compared with the 17 conventional banks in the republic.<sup>(3)</sup>

## Japan: Recent Developments in Practice and Law

By Naoki Ishikawa

The successful closing of two Islamic finance transactions which was announced in July 2010 by Nomura Holdings have paved a concrete path for Japanese corporations to consider overseas Islamic finance markets for their fund raising activities. The first transaction was in Asia for the issuance of Sukuk Ijarah and the second was in the Middle East for the establishment of a Commodity Murabahah facility (Nomura Deals). The diversification of the funding source is a common challenge not only for financial institutions but also for other corporations in Japan. As such, the feasibility of accessing the overseas Islamic finance market, as demonstrated by Nomura, would certainly be an attractive and foresighted suggestion for many Japanese corporations. This article will discuss up-to-date observations on how Japanese corporations, including financial institutions, are looking to the Islamic finance market, as well as how the Japanese government agency is aiming to address local law/taxation issues after the relaxation of financial regulations in 2008.

In Japan, the Islamic finance market can be perceived from two different perspectives. One view is that it offers a new outbound business opportunity for Japanese financial institutions that wish to perform Islamic finance functions in overseas Islamic finance markets to expand their services. Moreover, trading houses that wish to procure funds for their overseas projects from Islamic investors are sharing a similar view. A good example can be found in the relaxation of the Japanese financial regulations in December 2008 to allow subsidiaries of Japanese banks and insurance companies to provide certain Islamic finance services in such forms as Murabahah or Ijarah. In fact, the implementation of the amended regulation was immediately followed by the establishment of new Islamic functions of Japanese bank subsidiaries in Malaysia and the Gulf Corporation Councils.

The amendment of the above regulation, however, does not limit its scope to the overseas operation of Japanese financial institutions, and therefore, domestic subsidiaries of Japanese banks may also benefit from the relaxation of the regulation. Nevertheless, the 2008 amendment has not apparently encouraged domestic market participants to promote Islamic finance products in Japan yet. One possible explanation for this can be attributed to the low demand for Islamic finance products in Japan. In the long run, however, demand for Islamic finance products might arise, even domestically, as a consequence of, for example, growth of the Halal industry in Japan which may seek to procure Shariah compliant funding.

The other view is that Islamic finance in Japan envisages the creation of an inbound investment opportunity to attract investments from overseas Islamic investors. This momentum was initially witnessed in 2007 when Boubyan Global Real Estate Fund made an investment in the form of toukmei kumiai contribution in a special purpose real estate leasing vehicle in Japan (Boubyan Deal). However, the collapse of the real estate market that persisted in the following years impeded the growth of real estate investment in Japan by not only conventional investors, but also Islamic investors acting across the globe.

Against the backdrop of such economic climate the significance of the Nomura Deals cannot be more emphasized because of its enormous contribution to stimulating local market awareness of Islamic finance

by pioneering access to the Islamic finance market from Japan with its innovative structure. The underlying asset for Sukuk Ijarah consists of aircraft, which is one of the common classes of assets in Islamic finance practice. From the structuring perspective, Nomura's Sukuk structure proposed a two tier lease where the head lease was formed in accordance with the Islamic principle of Ijarah while the sub-lease was maintained in the form of an operating lease that was already put in place between the original owner and the airline.

As such, it was possible to keep the impact of the Islamic element on the operating lease transaction to a minimum. On the whole, the Nomura Deals have demonstrated that Japanese corporations may utilize overseas Islamic debt capital markets for the better management of its treasury operations in addition to what has been tested in the area of asset finance by way of the Boubyan Deal.

The momentum evidenced by these transactions is living testimony of the fact that Japanese market participants are coming to grips with not only the letter but also the spirit of Islamic finance. Using the Sukuk as an example, there are now a number of published materials available – even in Japanese. The downside is that they do not necessarily clarify the key practical mechanism that defines the nature of the structure as an asset-based transaction, as opposed to an asset-backed transaction.

In other words, the material available does not always mention the credit enhancement mechanism that effectively converts the Sukuk holders' exposure from the risk of the underlying asset to that of the corporate credit of the guarantor or liquidity facility provider. An understanding of the key aspects, both in theory and in practice, of the Islamic transaction should help strengthen the platform to establish Islamic finance products in the Japanese market.

In the long run, on the other hand, there are issues to be addressed as a matter of law and taxation in Japan, with a view to making it possible to issue Sukuk out of Japan for Japanese corporations. These issues include double taxation (which is inevitably involved in the assignment of assets in such transactions as Murabahah in the absence of special legal/tax treatment), the lack of clear identification/recognition of Islamic finance products, such as Sukuk, under the Japanese financial regulatory architecture and the call for neutral treatment of the dividends of Islamic financial products from a taxation perspective to level the Islamic finance playing field. All of these issues are somewhat typical in conventional jurisdictions and constitute a prerequisite for Islamic finance transactions to be widely accepted in the Japanese market. Presumably with this in mind, industry representatives, such as the Japan Bankers Association, have long been requesting the government to take measures against unequal treatment of the dividends of profit in respect of Sukuk as opposed to that of interest on bonds.

Recently, an expert advisory group within the Financial Services Agency of Japan ("J-FSA") clearly recommended in July 2010 that it would be necessary to improve the tax treatment of Islamic finance by taking certain measures such as treating the dividends on Sukuk in the same manner as interests on bonds. The above advice should be

*continued...*

## Japan: Recent Developments in Practice and Law (continued)

viewed in the context of recently implemented tax reforms in 2010 whereby the interests on dematerialized bonds paid to non-residents and foreign entities are excluded from taxation by virtue of Article 5-3 of the Act on Special Measures concerning Taxation.

Following the above advice, the J-FSA made a policy assessment in respect of the Act on Special Measures concerning Taxation and crystallized its assessment in its demand for tax reform for the fiscal year 2011 to exclude from taxation, the dividends on the bond-type beneficial interests (the "Bond-type Beneficial Interest") issued under the framework of the special purpose trust ("SPT") which is established pursuant to the Act on Asset Liquidation (the "Asset Liquidation Act").

It would be worthwhile to briefly discuss the Bond-type Beneficial Interest here, since it is an instrument that has been rarely used due to double taxation issues, despite its recognition under the Asset Liquidation Act which became effective from 2000. The Bond-type beneficial interest is defined as a beneficial interest in SPT for which a predetermined amount of money is distributed subject to the following conditions (Article 230 of the Asset Liquidation Act and Article 52 of the Ordinance on Enforcement of the Asset Liquidation Act): (i) distribution period shall be either six months or one year; (ii) distribution amount shall be equal for each kind of Bond-type Beneficial Interest; (iii) the redemption of principal shall occur in a lump-sum upon the last distribution of profit; (iv) the trustee is prohibited from making a distribution of profit at its own expense or by borrowing; and (v) the SPT shall be terminated when the distribution of profit or redemption of principal is not possible.

Given that the fundamental character of the Bond-type Beneficial Interest is a beneficial interest, it most likely assumes the same legal characteristics as Sukuk, which are structured in the form of trust certificates in leading Islamic finance markets such as London, Kuala Lumpur and Dubai. In addition, all of the conditions mentioned above parallels the principal features of the Sukuk in the market. As such, the Bond-type Beneficial Interest, regardless of the label attached to it, is expected to be a strong candidate for Sukuk issued out of Japan.

However, as things stand at the moment, the SPT is not regarded as a pass through vehicle and is therefore subject to corporate tax coupled with a deductible amount for distribution of profit to the extent that certain prescribed conditions are met. These conditions include a domestic solicitation threshold in that more than 50% of the issued price of the Bond-type Beneficial Interest is required to be solicited within Japan in order to enjoy tax transparency. The above mentioned policy assessment conducted by the J-FSA also discussed aspects of both SPT and the Bond-type Beneficial Interest.

In fact, the policy assessment consisted of four objectives, namely: (i) to exclude the dividends on the Bond-type Beneficiary Interest payable to the foreign investors from taxation; (ii) to revisit the tax transparency requirements for the SPT such as the domestic solicitation requirement; (iii) to exempt domestic financial institutions from withholding income tax on the distribution of profit on the Bond-type Beneficial Interest; and (iv) to reduce the corporate inhabitant tax for SPT.

As the J-FSA's policy assessment stipulates, it is anticipated that all of the four objectives above will not have any adverse impact, but rather, it is expected to open the Japanese market to overseas Islamic investors. In view of such a positive outlook, we are keeping a keen

eye on the progress of the government's further discussions, which aims to address tax impediments against the potential Islamic finance products to be established in Japan for foreign investors.

With the Japanese market's zealotry, as evidenced by the recent developments in practice and law discussed above, it is hoped that Japan will be able to contribute to the development and further prevalence of Islamic finance in East Asia using the creative ingenuity coupled with the local legal instruments in this small island. (2)

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**Naoki Ishikawa has led his team of lawyers at Mori Hamada & Matsumoto, acting for Nomura on its issuance of US\$100 million Sukuk Ijarah listed on Bursa Malaysia under the exempt regime.**

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## Korea: Regulatory Hurdles to Islamic Finance

By Yong-Jae Chang and Bong Sang Cho

Over the last couple of years, market participants in Korea have been following developments in the Islamic finance market with keen interest. They realize that becoming a direct or indirect participant in the Islamic finance market, with its huge potential for market growth, will provide them with advantages. In this article, we set out the effort the Korean government (including the various regulatory authorities in Korea) has been making in order to allow certain types of Islamic finance transactions (in particular through the issuance of Sukuk) and also facilitate the entry of Korean market participants into the Islamic finance market.

### Recent reform efforts

In late September 2009, the Korean government (in particular, the ministry of strategy and finance) prepared a draft amendment of the Special Tax Treatment Control Act (STTCA) and tried to submit it to the National Assembly for approval. Although that effort was not successful, the proposed amendment was aimed to recognize Sukuk transactions as an alternative method of raising funds and neutralize the existing unfavorable tax treatment on such transactions. The main impediment for Korean entities tapping into the Sukuk market has been the various taxes arising from a typical Sukuk structure under the current Korean tax laws. A typical Sukuk Ijarah and Sukuk Murabahah structure will involve the transfer or lease of an underlying asset.

Currently, such a transfer or lease will attract double stamp duty, VAT, capital gains, acquisition and/or registration taxes. Such adverse tax consequences make Sukuk an unfeasible form of financing in Korea. Thus, it was critical to waive such unfavorable tax treatment of Sukuk transactions in order to level the playing field between Sukuk and other conventional foreign currency denominated notes or bonds issued by Korean entities (as the latter is given preferential withholding tax exemption on interest payments). If the amendment is passed in the future, this will pave the way for Korean entities to issue Sukuk through offshore special purpose vehicles.

However, legislative changes for facilitating the issuance of Sukuk under Korean law are, in comparison, lagging behind. Although Sukuk bears a strong resemblance to conventional bonds under the Korean Commercial Code (KCC), the Sukuk does not fit into one of the types of corporate bonds which are exhaustively defined in the KCC. Thus, a Sukuk is not an instrument which can be issued under the KCC. Active initiatives for legislative change to facilitate the issuance of Sukuk under Korean law have been seen in Korea in recent years. Such initiatives include adding a definition of a new type of investment securities that can be issued by a Korean company and such investment securities would be defined broadly enough to encompass both the Sukuk Ijarah and Sukuk Murabahah. However, no actual steps have been taken by the Korean government to introduce such an amendment legislation to date.

The Korean market participants have also been following the changes to the Japanese banking regulations in December 2008 which now allows the subsidiaries of Japanese banks to engage in Islamic finance transactions. Current Korean banking laws do not permit Korean banks to engage in Islamic finance transactions and we are not aware of any discussions of legislative change to facilitate Korean banks (including their subsidiaries) engaging in Islamic finance transactions.

### Anticipated effects in the market

It is currently unclear when the draft amendment of the STTCA will be passed by the National Assembly due to a backlog of draft legislations which are pending as well as other unforeseen political events (including the incident of the sinking of a Korean warship). There are reports that the draft amendment of the STTCA will be submitted to and reviewed by the National Assembly in September 2010.

When the draft amendment of the STTCA is passed, we anticipate that various Korean entities which were interested in Sukuk, yet previously discouraged by the prohibitive tax implications will renew their interest and seek entry into the Islamic finance market. Their entry into the market will most likely be in the form of issuance of Sukuk Ijarah or Sukuk Murabahah through an offshore special purpose vehicle.

Given that current Korean laws do not recognize Sukuk as an instrument and no legislative changes are anticipated or planned in the near future in this regard, it will be some time before a Sukuk may be issued under the Korean law.

However, such lack of legislative change should not be reflected as a lack of enthusiasm to develop a domestic Islamic finance market. Korean market participants (including regulators) remain keen to develop a domestic Islamic finance market but the Korean Government and the legislature is struggling to catch up with the market's enthusiasm.

### Conclusion

No new significant developments in relation to Islamic finance have occurred in the Korean market in recent years despite the preparation of the draft amendment of the STTCA. Once the amendment of the STTCA is passed and becomes effective, a major impediment to Korean entities tapping into the Islamic finance market (mainly by the issuance of Sukuk) will be removed. Given the market participants' continued interest and enthusiasm in Islamic finance products, we expect many Korean entities will positively consider issuing Sukuk through an offshore special purpose vehicle.

The amendment of the STTCA will be a very important first step in the right direction and it will facilitate a framework for issuing Sukuk offshore and also later provide a momentum for allowing Islamic finance products to be issued under Korean law. ☺

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# Proactive Islamic Finance Organizations Need a Vision Drive

By Umer Majid

**In the midst of the global recession, Islamic finance organizations wrestle with the perennial challenge of managing their business operations more efficiently. They endeavor to reconcile short term shareholder expectations while laying the foundations for long term growth. This essential discipline represents an arduous balancing act and requires the leadership of any organization to define a clear, coherent and articulated vision.**

A vision is more than an aphorism for 'having a focus'. The vision of a company is where a company endeavors to define its very nature of existence and palpably cultivates the essential culture of the organization. This gives it impetus to fuel the operations of the organization in delivering to meet the needs and demands of a faith based promise.

A leadership role is to deliver a strategy to meet this promise. Otherwise, it will increase the chances of encountering a journey that will meet an inevitable dead end. Islamic finance organizations need to become the driving agents propelling moral change.

The challenge facing leadership within Islamic based organizations is to combine economic success with moral success. Historians such as Hart (1978) attributed Prophet Muhammad as the most influential leader of all time because he was able to combine morality and serve the daily needs of his people. His vision therefore was predicated upon and driven in creating a fair and just society as well as addressing the economic imbalances that define the purpose of the Shariah. This is a great opportunity for Islamic based financial organizations, and they should therefore seek to implement this strategy or seek to create this desired situation. Let us now look at the ways organizations should move forward to implement such a vision. Any vision is obsolete without implementation.

The most valuable members of any organization are its people. The greatest quality a leader can possess is to inspire his or her followers. Employees therefore need to feel a sense of ownership in relation to the vision, which is critical for a sound implementation. The vision should be underpinned by a sense of aspiration realism and collective well being to achieve emotional buy-in from the employees and other constituents comprising the enterprise stakeholder model.

The vision should be the only uncompromising basis about which the company should repose their focus on, harmonize their resources and serve to unleash their capabilities. Notably, it precedes the mission statement which should reflect how the organization intends to implement its vision. This aids the workforce in practically visualizing the bigger picture thereby helping to fortify, and consistently simulate and motivate their morale. Managers need to therefore continuously align and set tasks towards the bigger picture in realising this vision.

Organizations need to discharge any duties that are not connected to accomplishing this vision, for example the re-engineering of conventional products to would be Islamic based products and benchmarking against LIBOR. These are seamlessly tasks that consume precious resources and debilitate as well as draining emotional energy. They may well prove to be disastrous in the long term as such activities undermine the spirit of the Shariah.

Developing an intelligent and realistic vision aligned with a community spirit should be the first priority of any leadership within the sphere of Islamic finance. This vision is intrinsic to defining the purpose of any Islamic finance organization whose ultimate aim should be delivering customers with the value added experience they seek, balancing their daily faith needs with their daily financial needs.

The other major focus should be catered towards customer experience, which transcends the restrictive and supply led nature of product market boundaries. Market spaces are defined in terms of results experienced by customers. Organizations should therefore find ways to strictly legislate themselves internally to avoid straying away from the boundaries of the Shariah.

They should also focus strictly on delivering and continuously reinforce this promise which solely focuses on the needs and values of the customers, as well as aligning their vision to their employees' needs. Conventional banking organizations have always been alien to customers and never been able to achieve this. Islamic financial organizations have a great opportunity of 'locking on' customers for life if they can show the value of aligning themselves with the Shariah. Proactive organizations should also act as change agents in the light of increasing future changing demands to improve the quality of the customer experience.

A proactive Shariah based organization should not insult their very own lifeline customer by paying 'lip service' and undermining the Shariah. Recognizing this is the lifeline of strategic intelligent endeavor that will crystallize its vision, and enable it to maintain growth and increase competitiveness. (2)

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## Islamic Mutual Funds Part II

By Dr Hisham Jabr

The main objectives of the mutual funds are growth measured in terms of their assets. Investors should receive an indenture which shows the objectives of the fund, and policies to be used to achieve these objectives. These objectives should not be changed without the consent of the majority of the fund's shares. The policies appear as a statement that determines the strategies to be used and type of assets to be invested in.

The funds provide shareholders with periodic financial reports.

Investment objectives in Islam can be summarized as such:

- Keeping the capital safe.
- Making profit for the owners of the capital.
- Maintain liquidity.
- Linking investment with Islamic principles and ethics.
- Limiting investment in the assets which are in conformity with Islamic principles, and not investing in prohibited assets.
- Taking into consideration investment in the priorities. That is, in necessities first.
- Invest in products which provide more opportunities for employment.
- Then from any proceeds of investment, Zakat (part for the poor 2.5% of the net profit) should be paid.

The Islamic financial system considers two rules in investment:

- No investment in the form of a loan which carries interest (Usury is prohibited. Usury in Islam means any increase on a loan.)
- Investment should be based on a profit and loss sharing principle; This rule makes many types of investments available to investors like all types of sales, companies, leasing.

Thus, conventional banks' investments are mainly restricted to the lending on interest. They borrow in the form of deposits on interest, and lend on an interest. Usury is the main investment policy. On the other hand, Islamic banks have many diversified investment opportunities free from interest which can meet the needs of individuals, firms and government, whether in deficit units or surplus units of the financial system. This leads to justice and good distribution of wealth.

One of the main principles in Islam is that there should be no profit on financing, unless the investor owns an asset which can grow.

### Islamic mutual funds

As a result of the establishment of Islamic banks since more than four decades, investors, mainly Islamic banks themselves, started to see the establishment of Islamic mutual funds as a means of diversification of risk. Many of these funds have been established in Bahrain, Kuwait, Egypt, and in the US. These funds operate according to Islamic legislation (Shariah) like when Faisal Islamic Bank of Egypt established Islamic mutual fund with a periodic income. It's capital is EGP50 million (US\$50 million) divided into half million shares, each with a par value of EGP100 (US\$17.5). The minimum number of shares that a shareholder can buy is 10 shares.

Several Islamic funds are owned by an Islamic bank called LARIBA (Los Angeles Reliable Investment Bankers Association) operating in

seven states of the US. This financial institution operates according to Islamic Shariah. An example of an Islamic mutual fund in the US is Saturna Capital Corporation.

This corporation owns three Islamic mutual funds. These are: Amana fund, growth fund and income fund. All of them operate on Islamic principles. Moreover, the Amana Fund in the US is a very good example of Islamic mutual funds operating in the West.

### Islamic mutual funds concept:

These funds were established as a result of the introduction of various investment instruments, and investigation by many Islamic financial institutions which studied and investigated the Islamic investment restrictions in securities of established firms.

This procedure was needed for any Islamic mutual fund to be careful in the security selection when constructing its portfolio. Islamic fund needs to select securities which are governed by Islamic Shariah. Thus, these funds specialize in investment in securities which abide by Islamic Shariah. Some companies like Al Rajhi company consider these restrictions as a matter of common sense, and not a matter of is accepted by Islam or prohibited (which is not the case).

This company believes that there are three opinions regarding trading in the stocks of corporation:

- First opinion: that trading in stocks of corporation which deals with lending or borrowing on an interest basis, or any other forbidden activity in Islam (like wine or pork) whatever the percentage of operation in this field is forbidden, and should not be part of the investment portfolio.
- Second opinion: that not trading of stocks at all can lead to making Islamic funds idle. This opinion puts the following restrictions on dealing with stocks from an Islamic point of view. These are: the main activity of the company that issues the shares should not be forbidden in Islam. Several filters appeared in this regard. These are Al Rajhi filter, Islam Q, I Hilal, Islamic Dow Jones, Islamic filter program for American stocks. These filters differences are so tiny, but still they remain points of views, not Islamic rules.
- Third opinion: that if most of the assets are acceptable from an Islamic Shariah, then its shares can be accepted for trading. This group suggests that the assets of the main activity of the company should not be forbidden by Islam, and more than 50% of its assets should not contain interest, debt and cash.

In this regard, gathering information about the company needs a lot of work. Islamic filter programs can do the job, as they collect financial data about corporations, and analyze them to be sure that these corporations' activities do not include any forbidden activity from an Islamic point of view.

Moreover, Islamic investment excludes investing in any company that deals with wine, pork, conventional banking, dancing, gambling, and other similar firms. After excluding these companies, two types of filters will be used on the financial data of other companies, to exclude companies which that are not in compatible of these two filters.

*continued...*

## Islamic Mutual Funds Part II (continued)

Filter one: Interest earned to income ratio should be less than 5%.  
Filter two: Debt to total assets ratio should be less than 30%.

### Types of Islamic mutual funds

There are many Islamic mutual funds that abide by Islamic Shariah. These Shariah Principles which the manager abides by are published in the fund's indenture. Islamic as well as conventional banks can market these types of funds. The types of Islamic mutual funds are:

**1. Equity Islamic funds:** Its main portfolio consists of stocks in corporations whose activities are not in contradiction of Islamic Shariah. It makes profit from the capital gain (the increase in stock's price). But Islamic Fuqahaa (Shariah scientists) were not in agreeable in the companies which their activities are in compatible with Shariah, especially those that some of their activities are Haram(not accepted in Islam, such as borrowing activity with interest.

Some Fuqahaa see that investing in the a share of these companies is haram ( forbidden in Islam), others have no objection in investing in their shares, provided that the fund manager should calculate the income from Haram activities, and exclude this income from the fund's income and distribute this part of income to the poor. The risk in investing in these funds is high.

**2. Commodity funds:** These funds invest in commodities which are Halal (not forbidden in Islam). It buys the goods and sell them, provided that these commodities have a commodity exchange like: copper, aluminium, petrol, cotton. These funds can operate in the form of Murabahah ( cost plus profit margin), Salam ( selling on a cash basis, while delivery of goods after a specific period of time), and forward selling.

**3. Murabahah funds:** These funds purchase international goods on a cash basis, and sells them to a third party on credit on an agreed upon profit, who ordered the fund in advance to purchase them. The fund should evaluate the credit standing of the third party, before, deciding to sell him on a credit.

If the fund is convinced of the good credit standing of the potential buyer who ordered the fund to purchase the good according to the specifications determined by the potential buyer ( third party), then the fund proceeds in buying the good, and when goods arrive, the potential buyer is called to see if the goods are according to specification.

Then a selling contract is signed, repayment schedule is made, selling price is determined according to cost m, plus the agreed upon profit. Then the goods are delivered to the potential buyer, and the fund will follow up on the collection of installments.

**4. Salam funds:** Forward sale with prepaid cash. Example: The fund buys a quantity of olive oil now from farmers, and pays them the price now, while, the receipt of olive oil is at the harvest time. In this case, the farmer has two advantages. They get cash today, and the goods are sold in advance while the goods are to be delivered afterwards, that is, at the harvest season. The fund will benefit by buying now at a price below the price at the season.

**5. Leasing funds:** The fund owns equipment and leases them, and benefit from lease payments. And the fund may sell them on a lease

ends with ownership, that is, the fund makes a lease contract with the lessee, to lease the equipment or machine or vehicle, and a lease payment schedule is made, in the contract, if the lessee pays all the lease payments on time, the owner of the equipment will sell the equipment to the lessee either as a grant, or at a very minor amount determined in advance, or gives the lease the option to own the equipment at any time during the lease period by paying the remaining installments.

**6. Ma'moun fund (safe capital fund):** This fund responds to many investors who prefer high revenue with low risk. It is known that it is not easy to have a high return with low risk . This type of fund tries to do that by having some Salam activities and some Murabahah activities. The Commercial Ahli Bank was pioneer in the establishment of many Islamic funds such as Salam fund, and Ma'moun Fund. (f)

*The final Part III will cover Islamic investment instruments and capital markets.*

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# Islamic Repo Structure for Liquidity Management

By Blake Goud

In late July 2010, the International Islamic Financial Market (IIFM) released their reference paper 'I'aadat Al-Shira'a (Repo Alternative) and Collateralization (Structuring Possibilities)'. The paper, which is the result of an effort by IIFM to provide a solution to the liquidity management challenge since 2007, begins with an overview of conventional sale and repurchase agreements (repos) and how this tool for liquidity management could be adapted for use by Islamic financial institutions.

In a repo transaction, one party makes a secured loan to the other party, often secured by a government bond, where the loan is structured to be a sale by the borrower of the security to the lender, with repurchase at a price that includes both principal and interest. The government bond is used in order to limit the risk to the lender that would be caused if the borrower defaulted and the underlying security declined in value.

**“When Islamic banks manage their liquidity needs, it is done using commodity Murabahah or Wakalah agreements, which are bilateral, unsecured loans”**

The repo transaction is used by most conventional financial institutions as a way of managing its short term liquidity needs. When it needs short term liquidity, it can use its assets to secure a short term loan. Conversely, when it has excess liquidity, it can invest this to generate yield. When Islamic banks manage their liquidity needs, it is done using commodity Murabahah or Wakalah agreements, which are bilateral, unsecured loans.

An Islamic repo agreement would facilitate banks' liquidity management by allowing them to access short term liquidity using the assets on their balance sheet while giving the counterparty greater protection against the insolvency of the borrower. However, despite the sale of the securities to the lender, often the seller retains economic ownership of the securities (right to receive coupon payments) and the securities usually remain on the borrower's balance sheet.

The use of interest bearing government bonds as well as the embedding of interest in the transaction has so far made the repo market out of bounds for Islamic financial institutions. There have been some efforts – most notably in Malaysia and Bahrain – to develop short term liquidity management tools for Islamic banks, but these are limited. In the case of Malaysia, they are not always accepted as Shariah compliant outside of the country.

With this need in mind, the reference paper describes four methods – a fifth is still under discussion – that an Islamic repo transaction could be constructed to avoid the Shariah compliance issues associated with conventional repos. However, all four methods have Shariah

compliance issues that remain to be resolved, primarily dealing with the repurchase agreement for Sukuk used in transactions.

The first proposed structure in the IIFM paper is the most basic: a bilateral sale with two unilateral Waad (promises). The promises are mutually exclusive (both cannot happen simultaneously). One is a purchase undertaking by the borrower; the other is a sale undertaking by the lender.

The effect of the two Waad is that the repurchase will always take place, even if the value of the securities fluctuates. If the price remains stable or rises, the borrower will exercise the promise to sell granted by the lender; if the price falls, the lender will exercise the promise to sell granted by the borrower.

The difficulty with this structure arises from the determination of the price at which the repurchase takes place. The IIFM Shariah board said that in order for this transaction to work, the price of the repurchase must be the market price when the purchase or sale undertaking is exercised. This is unlikely to be satisfactory to Islamic financial institutions looking for short term liquidity management tools.

The second structure is a similar bilateral structure but with a government stepping in as the counterparty. The sale takes place in the spot market and there are also two Waad, but the Waad are different (for example, making the repurchase date and price differ for the two Waad). However, the Shariah compliance issues identified with the first structure remain unsatisfied and according to the report, “this Waad based structure may not be acceptable as it raises many Shariah issues which will be difficult to overcome”.

In the third structure – which is designed to avoid some of the issues with bilateral Waad – a third party is inserted, which could be a clearing house, government or multilateral institution like the Islamic Development Bank. The third party serves as an agent, but does accept some risk in the transaction.

**“The difficulty with this structure arises from the determination of the price at which the repurchase takes place”**

The IIFM suggests that this structure could be used to create the margin maintenance payments that are used in many conventional repos through Murabahah or Reverse Murabahah to replicate the interest payments on the cash put up for margin. It could also come as a Shariah compliant letter of credit as an alternative to cash margin.

The one area where this structure is lacking is that many GCC countries' legal systems do not recognize the concept of 'netting' where the value of the collateral can be set-off against the repurchase price in the case of insolvency of the borrower.

*continued...*

**Islamic Repo Structure for Liquidity Management (continued)**

The fourth structure proposed involves a Commodity Murabahah transaction (a Wakalah could also be used) to create the lending aspect of the transaction, but the borrower also grants security (al-Rahn) over a pool of Sukuk to serve as collateral for the repayment. This method would provide a way to adjust the collateral based on fluctuations in its market price. If the price rose significantly, the borrower would have the right to call back some Sukuk.

On the other hand, if the Sukuk value falls, the lender would be able to require a collateral top-up. One challenging concern highlighted by IIFM is whether the lender would be able to re-hypothecate the securities pledged. The IIFM suggests that a Title Transfer Agreement could serve this purpose because if the title is transferred, the lender then has the ownership required to re-sell the securities.

**“Another benefit of a repo transaction is that the lender often will sell-on the security and repurchase an equivalent security at maturity”**

The four concepts for an Islamic repo transaction cover the benefits – and limitations – of each from a general perspective. The benefits to the industry would come primarily from the creation of a liquidity management tool for Islamic banks and other financial institutions. However, the IIFM is not concerned solely with creating the liquidity management tool.

Another benefit of a repo transaction is that the lender often will sell-on the security and repurchase an equivalent security at maturity. Within Islamic finance, this presents difficulties. First, in order to sell a Sukuk, the lender must hold ownership of the security, which complicates the ability to pass through coupon payments, which is a common feature of conventional repo transaction. Second, it is unlikely that an Islamic repo participant would be able to profit if they sold the securities involved in the repo. The secondary markets in Sukuk have become more liquid in recent years, but still remain relatively illiquid. One of the features of illiquid markets is a wide spread between bid and offer, which will impose a cost (the spread) if the lender sells the Sukuk and repurchases it upon the repo maturity.

However difficult the structuring challenge of an Islamic short term liquidity management tool may be, the benefits will be significant for the entire industry. The IIFM report represents a significant step on the path to creating an Islamic repo structure.<sup>(3)</sup>

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## Alarming rise in Sukuk Defaults

By Mohammed Khnifer

The number of Sukuk defaults are on the rise with an alarming 21 defaulted Sukuk cases in the last 22 months, including Sukuk issuance with assets not only based on real estate but also transportation, oil and even tuna.

I remember the 21<sup>st</sup> June 2009 vividly. It was the day where I initiated a series of research on defaulted Sukuk in Al-Eqtisadiyah, the Saudi financial newspaper. Law firms and credit rating agencies rushed to translate these series of research works from Arabic to English, as there was hardly anyone talking about such topic.

Why should they? If you were a Sukuk arranger entity, would not you try to underestimate such reports? If you were in that industry, would you not rather turn a blind eye on the first default case, trying to dismiss these reports so as not to shake the foundation of the industry? But the Nakheel near default changed everything.

**“Sukuk holders might even wonder why they always see these optimistic reports on the future prospect of Sukuk on a regular basis”**

As we were keeping a close eye on these cases, we initially thought that there were only 10 cases of such defaults, apart from those who defaulted technically. We were wrong.

In a research I conducted for Al-Eqtisadiyah, after completing my MSc in investment banking and Islamic finance, we found that the total number of defaulted Sukuk cases in the last 22 months reached at least 21. As for the total value of such issuance, it comes to almost US\$2.1 billion. It is very likely there are more we do not know about.

This accelerated percentage makes one wonder why the industry stakeholders hid such critical information from investors. Further, Sukuk holders might even wonder why they always see these optimistic reports on the future prospect of Sukuk on a regular basis.

The year 2009 can be described as a 'default' year for the Sukuk market. There are new default cases in 2010. We should learn lessons from past mistakes and one should examine such cases in order to protect Sukuk holders rights and create more modified structures for the next generation.

Last year, Malaysia took the lead by 10 cases, Pakistan (2) and one default event in Saudi Arabia, Kuwait and US. These are the defaults cases for last year:

- 1 Saad Group's Golden Belt (US\$650 million)
- 2 East Cameron Gas (US\$165 million)
- 3 The Investment Dar Company (US\$100 million)

- 4 New Allied Electronics Industries (US\$16.4 million)
- 5 Maple Leaf (Rs8 billion) (US\$175 million)
- 6 Oxbridge Height (US\$2.82 million)
- 7 Hartaplus
- 8 Ingress (US\$7.2 million)
- 9 Oilcorp (US\$20.6 million)
- 10 PSSB Ship Management (RM40 million [US\$13 million])
- 11 Tracoma Holdings (RM100 million [US\$32million])
- 12 M-Trex Corporation (RM60 million [US\$ 19 million])
- 13 Englotechs Holding (RM50 million [US\$16million])
- 14 Straight A's portfolio (RM200 million [US\$ 64 million])
- 15 Malaysian International Tuna Port (US\$240 million [US\$77 million])

According to RAM Rating Services, there were 24 registered default events in Malaysia between 2003 until 2010. When we add up this figure with the recognized worldwide defaulted issuance, we end up with 31. The high rate can be justified, as rating is mandatory in Malaysia the fact that investors are more educated about such complex instruments compared with the GCC.

This year was a continuation of the previous one. The six cases were divided equally between Malaysia, Pakistan and the GCC:

1. Merchant Marine (RM120 million [US\$39 million])
2. Nam Fatt (RM 250 million [US\$81million])
3. Eden Housing Sukuk (INR 1.63 billion [US\$36 million])
4. Eden Housing Sukuk (INR 730 million [US\$16 million])
5. Tabreed (US\$463 million)
6. IIGF Funding Limited Sukuk (US\$200 million)

According to media reports, few originators have been working with law firms to restructure their Sukuk issuance as they were about to miss the periodic payments. Such restructure will lead to the extension of the date of Sukuk maturity. It means that Sukuk holders are likely to suffer certain loss if we factor the opportunity cost concept and time-value of money.

From my practical experience, default events would have been minimized or even contained if the issuance was asset-backed. For an investment bank it is more a question of whose rights would you like to protect more: the Sukuk holders' or the originator?

As for the question why we have not done that for the sake of the investors' interests, that is another story. <sup>(5)</sup>

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**Mohammed Khnifer is a chartered Islamic finance professional from INCEIF. He is expected to earn his MBA in Islamic banking and finance in 2011, after winning the silver scholarship award from Bangor University.**

## Japan's tax reform proposal is intended to revive its economy. What impact will the reforms have on the global Islamic finance industry if they come through?



Japan has a poor record in recent years with fiscal reform, hence there must be considerable doubt about any positive effects on the economy from recent measures. Consumer confidence in Japan remains weak, and exports are being limited by the high value of the yen. Although its economy has now been overtaken by China, Japan's influence on the global economy remains significant but largely negative.

For Islamic finance, the effect of changes in Japanese economic activity is marginal. Japanese banks have little involvement in Islamic finance and there is virtually no local Muslim population. Oil imports from the Gulf are stagnant, and Japanese companies involvement in Malaysia remains limited. There has been some interest in Islamic finance in Japanese universities, notably Kyoto, with which we have hosted joint conferences, but the commercial interest in Islamic finance is largely absent.

**PROFESSOR RODNEY WILSON:** *Director of postgraduate studies, Durham University*



With the Muslim population and wealth growing, investors are looking for diversification globally. Islamic finance is a growing alternative for many Muslims, and countries who are willing to change laws to accommodate will achieve first market mover advantage. In recent times we have seen General Motors bond holders in the US having bonds reduced to close to nil. Investors prefer Sukuk bonds with an asset-backed nature and a recourse to a fixed asset.

Historically, Sukuk is purchased mostly by conventional institutions, but there have been significant purchases from Muslim investors due to its compliant structure. The industry welcomes the changes Japan is making and has it as a model for other countries to adopt.

**OMAR KALAIR:** *President and CEO, UM Financial Canada*



As part of the tax reform proposals, the Japanese ministry of finance is considering the introduction of specific measures that would facilitate Islamic financial instruments to be treated in the same way as other financial instruments from a tax perspective. One of the measures considered is to allow for the setting up of special purpose trusts to ensure that foreign investors do not incur Japanese tax.

When introduced, these measures will make it more attractive for foreign investors to invest in Japan in a Shariah compliant manner, which is not only beneficial to the Japanese economy, but also provides additional diversification benefits to investors. Given the global importance of the Japanese economy, this will provide yet another possibility to build global, well diversified portfolios and potentially additional liquidity instruments.

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

### Next Forum Question

**How will the establishment of the first African re-Takaful company contribute to the prospects of Takaful and re-Takaful in Africa and will there be significant demand for such products?**

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, 11<sup>th</sup> October 2010.

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



**Name:** Moinuddin Malim  
**Position:** CEO and head of Islamic banking  
**Company:** Mashreq Al Islami (Islamic banking arm of Mashreq Group)  
**Based:** Dubai  
**Age:** 47 years  
**Nationality:** Pakistani

award winning Sukuk for Tamweel in 2008 and established market leadership in managing real estate trust accounts in the UAE.

### Which of your products / services deliver the best results?

In current markets, where long term financing and investment banking deals poses challenges to domestic banks, we had foreseen the changing environment back in 2008 and accordingly shifted our focus on consumer and commercial banking. While both these segments of the economy have also seen stress, these segments are the core building blocks of the economy and have so far delivered decent results which are expected to do much better than other segments of banking and finance.

### What are the strengths of your business?

The strength of our business model is our resolute affirmation to maintain the highest quality of services and turnaround time based on Shariah compliance through all distribution channels.

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

The key success factor that drives our success is our shareholders who want us to push the Islamic banking and finance business across the board and the ambition of our team to deliver the best Islamic products and services throughout the institution.

### What are the obstacles faced in running your business today?

When one is setting up any platform to launch new business model whether it is Islamic banking and finance or anything else, one always faces issues such as acceptability, understanding, trust, manageability, awareness, willingness to adapt, and more. The main driver for us in overcoming any obstacle is training and providing Shariah certification of all banking personnel who are the touch points for the Islamic products and services.

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

Islamic finance industry will have sporadic growth in countries where it has taken root, and depending on the economic environment prevailing in those countries. However, the real growth in Islamic finance will be more pertinent in those jurisdictions that have started to pay attention to their legal and regulatory environment to establish Islamic institutions in their turfs. These include those non-Muslim countries that have been doing research on Islamic finance during the last 10 years. In terms of segmentation, emphasis will come to enhance Islamic products and services offerings for the consumer and private banking fronts.

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

The one thing which will see Islamic finance reach towards a level of maturity is standardization of documentation which essentially entails standard and unified Shariah governance bodies. ☺

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

I started my Islamic banking career with Al-Tawfeek Company for Investment Funds in Saudi Arabia, part of Dallah Al-Baraka Group. I was with them for seven years and left as head of the international finance division. I then moved to The International Investor, a Kuwait listed Islamic Investment banking company where I worked as a senior partner to establish the company's investment banking practice in the UAE and Qatar. After which I became the managing director for Dubai Islamic Bank and started the asset management and capital market divisions.

My recent journey with Mashreqbank started when I joined Badr Al-Islami as head of corporate and investment banking. I took over the position of CEO and head of the Islamic banking division last year.

### What does your role involve?

As the CEO / head of Mashreq Al-Islami, my responsibility is to drive the main strategies of Islamic banking across all business sectors. Additionally, we are striving to put together a product platform that will mirror the existing conventional banking products with a strong emphasis to deliver a similar economic outcome. As we use all possible distribution channels including those available through Mashreqbank, we have also embarked on training and extending Shariah certification of all relationship and sales teams.

### What is your greatest achievement to date?

Our challenge when we started Islamic banking for Mashreq Group was to establish the viability of the Islamic business model to our shareholders. When we were awarded the license to establish the Islamic finance company as well as manage the Islamic banking division of the bank in late 2006, our peer group made up of the top 10 domestic banks in the UAE were also accorded similar licences. However, when one of the leading Middle East business intelligence publications surveyed the leading Islamic banking and finance players in mid 2009, we were ranked 9<sup>th</sup> among the top 10 in the UAE and 26<sup>th</sup> among the top 50 Islamic banking and finance institutions. During this period, among other achievements are that we have led arranged an

## SUMMARY OF TERMS &amp; CONDITIONS

## Malaysia Airports Capital

Islamic commercial papers and Islamic medium term notes pursuant to an Islamic commercial paper program (“ICP Program”) and an Islamic medium term notes program (“IMTN Program”), respectively with a combined aggregate nominal value of up to RM3.1 billion (US\$1 billion) (with a sub-limit of RM1 billion (US\$324 million) in nominal value for the ICP Program) (collectively, the “Programs”)

30<sup>th</sup> August 2010

<b>Obligor/Issuer</b>	Issuer: Malaysia Airports Capital Obligor: Malaysia Airports Holdings
<b>Tenor</b>	10 years
<b>Return</b>	4.55% per annum
<b>Payment</b>	30 <sup>th</sup> August 2010
<b>Maturity Date</b>	28 <sup>th</sup> August 2020
<b>Arranger/Dealer</b>	CIMB Investment Bank and Citibank
<b>Trustee</b>	CIMB Trustee
<b>Legal Counsel</b>	Raslan Loong (Legal Counsel to the Issuer and Obligor) Adnan, Sundra & Low (Legal Counsel to the Joint Lead Arrangers)
<b>Governing Law</b>	Malaysia
<b>Purpose of issuance</b>	<u>Issuer</u> The proceeds from the programs shall be utilized by the Issuer to purchase the assets from Malaysia Airports Holdings under the relevant asset purchase agreement.  <u>Malaysia Airports Holdings</u> The proceeds from the sale of the assets shall be utilized by Malaysia Airports Holdings to part finance the construction of the new low-cost carrier terminal (“KLIA-2”); and/or to refinance Malaysia Airports Holdings’ borrowings/financing which were utilized for Shariah compliant purposes and/or for Malaysia Airports Holdings’ Shariah compliant general corporate purposes.
<b>Principal activities</b>	The Issuer is a special purpose vehicle established to facilitate Malaysia Airports Holdings’ fundraising exercises.

The Q&A was conducted with Malaysia Airports Holdings:

- 1. Why did you use this particular Islamic structure? What other structures were considered?**  
The Ijarah structure was adopted to meet Malaysia Airports Holdings’ requirements to have a generally accepted Shariah compliant structure. Apart from Ijarah, we had also considered the commodity Murabahah and Wakalah structures.
- 2. What will this capital be used for? (Only relevant if it's a capital raising)**  
The proceeds will be utilized by Malaysia Airports Holdings to part finance the construction of KLIA-2; and/or to refinance Malaysia Airports Holdings’ borrowings/financing which were utilized for Shariah compliant purposes and/or, for Malaysia Airport Holdings’ Shariah compliant general corporate purposes.
- 3. What were the challenges faced and how were they resolved?**  
There were no major challenges for this transaction.
- 4. Geographically speaking, where did the investors come from?**  
The investors who subscribed to the RM1 billion (US\$324 million) Sukuk Ijarah were mainly local investors.
- 5. Was this deal rated?**  
Yes. The inaugural issuance of RM1 billion Sukuk Ijarah was rated ‘AAA’ by RAM Rating Services. (👉)

## DEUTSCHE BANK

**UAE:** Deutsche Bank has appointed Ashok Aram as CEO of the Middle East and North Africa (MENA).

Prior to his appointment, Aram was managing director for Abraaj Capital, a private equity firm based in Dubai. <sup>(f)</sup>

## BARWA BANK

**QATAR:** Barwa Bank has appointed Steve Troop as its new CEO. Prior to this, he was the CEO of Saudi Hollandi Bank.

The bank has also hired Keith Bradley as the head of banking group. Bradley will lead and manage Barwa Bank's private, corporate and retail banking businesses.

Additionally, it has appointed Amgad Younes as the chief operating officer. Younes will be responsible for overseeing the information technology, human resources and administration functions. <sup>(f)</sup>

## SOCIETE GENERALE CORPORATE & INVESTMENT BANKING

**CANADA:** Societe Generale Corporate & Investment Banking has appointed John Osborne as the managing director, head of financial institutions and governments for its corporate and investment banking division.

Osborne will be responsible for the banks' financial institutions and governments' team, advising Canadian banks, insurance companies, pension funds, asset managers, federal and provincial governments and their agencies. <sup>(f)</sup>

## UBS

**JAPAN:** UBS has appointed Naomi Takagi as an analyst in its equity research unit in line with its expansion plan in the country.

Takagi was previously an analyst with JPMorgan Chase (Japan). <sup>(f)</sup>

## RBC WEALTH MANAGEMENT

**CANADA:** RBC Wealth Management has appointed Michael Lagopoulos as its deputy chairman, ultra high net worth – international.

Lagopoulos will be responsible in developing the wealth management's ultra high net worth business.

Prior to his appointment, he was the president and CEO of RBC Wealth Management's international business. <sup>(f)</sup>

## BARCLAYS CAPITAL

**HONG KONG:** Barclays Capital has appointed Tom Quarby as head of regional banks Asia ex-Japan and Jon Windham as head of industrials Asia ex-Japan in its equity research team for Asia Pacific.

Prior to their appointments, Quarby was formerly head of banks research at Macquarie Securities Australia while Windham was the head of industrials Asia ex-Japan at the same establishment. <sup>(f)</sup>

## BANK OF LONDON AND THE MIDDLE EAST

**UK:** Bank of London and The Middle East (BLME) has appointed Massoud Janekeh as the head of newly created Islamic capital markets desk at BLME. He was previously the head of trade and business finance at the bank.

Massoud will also be responsible for BLME's balance sheet management. <sup>(f)</sup>

## GLOBAL INVESTMENT HOUSE – SAUDIA

**SAUDI ARABIA:** Global Investment House-Saudia (Global Saudia) has appointed Fahad Saleh Al Hamidi as its CEO.

Prior to joining Global Saudia, Fahad was the acting CEO of AlBilad Investment Company, the investment arm of Bank Albilad.

Global Saudia is a subsidiary of Kuwait based Global Investment House, which owns Global GCC Islamic Fund. <sup>(f)</sup>

## NOMURA

**SINGAPORE:** Nomura has appointed Rig Karkhanis as head of fixed income.

Karkhanis will be responsible for further developing Nomura's fixed income business in Singapore.

Prior to his appointment, he was attached to Millennium Partners, Singapore as a portfolio manager. <sup>(f)</sup>

## HSBC

**UK:** Stuart Gulliver has been appointed as CEO of HSBC to succeed Michael Geoghegan, who will retire early next year.

Gulliver currently heads the investment banking unit for HSBC. <sup>(f)</sup>

## KPMG

**UK:** KPMG has hired a director and two senior managers to its remediation practice.

Jarrold Nicholson joins as director to the practice. Prior to his appointment, Nicholson led the customer management and business transformation unit at Huntswood.

John Seaton and Caroline Walters have been appointed as senior managers. <sup>(f)</sup>

## LOMBARD ODIER

**HONG KONG:** Swiss bank Lombard Odier has appointed five senior bankers to support the expansion of its Asia operations.

The appointments are – Philippe Adler as managing director while Dominik Fuerst, Tanya Ward, Doreen Tan, and Barbara Wang as executive directors. <sup>(f)</sup>

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# Deal tracker

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ISSUER	SIZE	INSTRUMENT
Cagamas	TBA	Sukuk
Sudan	US\$300 million	Sukuk
Indonesia	IDR2 trillion	Sukuk
Kuveyt Turk Participation Bank	US\$100 million	Sukuk
Finance ministry, Indonesia	US\$650 million	Sukuk
Islamic Development Bank	US\$1 billion	Sukuk
Al Baraka Turkey	US\$250 million	Sukuk
Al Baraka Banking Group	US\$200 million	Sukuk
Asosiasi Baitul Maal wa Tamwil (BMT) se-Indonesia	TBA	Sukuk
Konsortium Lebuhraya Utara-Timur (Kesturi)	RM35 million	Sukuk
South Korea	TBA	Sukuk
Capital Development Authority, Pakistan	PKR20 billion	Sukuk
Bank Muamalat	US\$100 million	Sukuk
Abu Dhabi Ports Company	US\$1 billion	Sukuk
Saudi Electricity Company	TBA	Sukuk
Kazakhstan	US\$300 million	Sukuk
Abu Dhabi Islamic Bank	US\$5 billion	Sukuk
Cagamas	US\$5 billion	Sukuk
Amlslamic Bank	RM3 billion	Senior Sukuk Musharakah
Nakheel	TBA	Sukuk
Sumitomo Corporation	TBA	Sukuk
Nomura Holdings	US\$100 million	Sukuk
State Bank of Pakistan	TBA	Sukuk
Islamic Bank of Thailand	THB5 billion	Sukuk
Trans Thai Malaysia	TBA	Sukuk
Lebanon	TBA	Sukuk
Emirates Integrated Telecommunications	TBA	Sukuk
General Electric Capital	TBA	Sukuk
Cahaya Jauhar, Malaysia	RM114 million	Sukuk
Saudi Home Loans Company	TBA	Sukuk
Dubai	TBA	Sukuk

For more details and the full list of deals visit  
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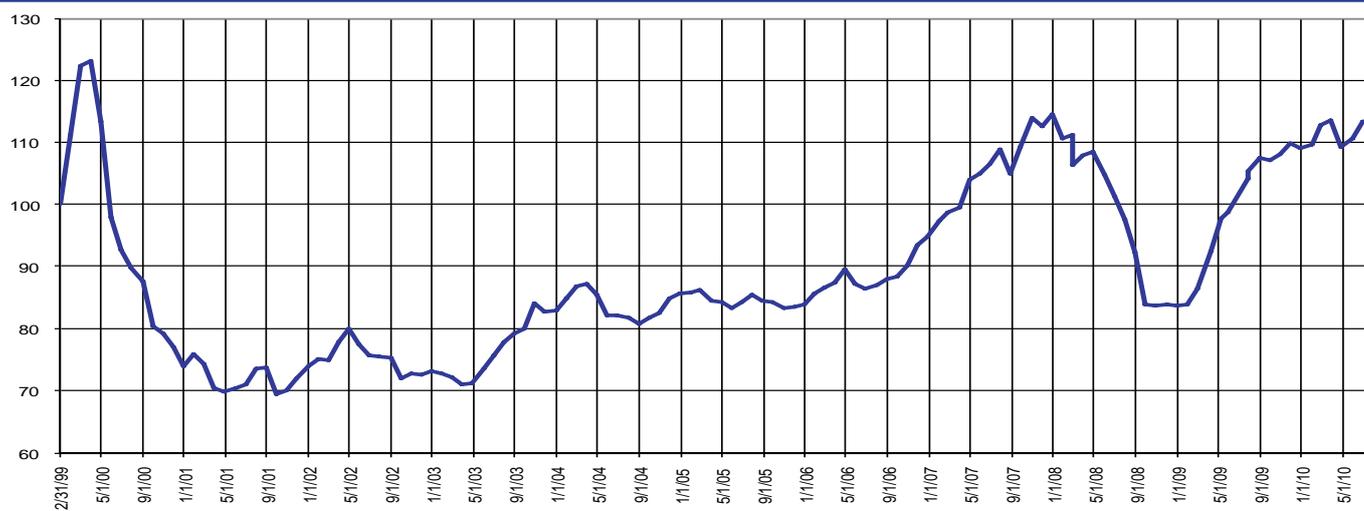
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## EurekaHedge Asia Pacific Islamic Fund Inde



### Monthly returns for Developed Markets funds (as of the 28<sup>th</sup> September 2010)

FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1 Banque Misr No. 4	HC Securities & Investment	5.76	Egypt
2 Islamic Certificate on the LLB Top 20 Middle East TR Index (EUR)	ABN AMRO Bank	5.06	Netherlands
3 Tharwa Islamic	Tharwa Investment Company	4.95	Kuwait
4 Islamic Absolute Return Certificate on HFR Emirates	ABN AMRO Bank	3.15	Not disclosed
5 MyETF Dow Jones Islamic Market Malaysia Titans 25 (MyETF-DJIM25)	i-VCAP Management	3.15	Malaysia
6 Egyptian Saudi Finance Bank Mutual	Hermes Management	2.68	Egypt
7 Faisal Islamic Bank of Egypt Mutual	Hermes Management	2.68	Egypt
8 Prudential Dana Al-Ilham (PRUdana al-ilham)	Prudential Management	2.57	Malaysia
9 Taurus Ethical B	Taurus Asset Management	2.54	India
10 Public Islamic Dividend	Public Mutual	2.41	Malaysia
<b>EurekaHedge Islamic Fund Index*</b>		<b>0.48</b>	

### Monthly returns for Emerging Markets funds (as of the 28<sup>th</sup> September 2010)

FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1 DWS Noor Precious Metals Securities - Class A	DWS Noor Islamic	9.23	Ireland
2 ETFS Physical Silver	ETFS Metal Securities	6.81	Jersey
3 ETFS Physical Gold	ETFS Metal Securities	6.55	Jersey
4 AmPrecious Metals	AmInvestment Management	6.10	Malaysia
5 ETFS Physical PM Basket	ETFS Metal Securities	4.55	Jersey
6 Mashreq Al-Islami Income	Mashreq Capital (DIFC)	1.47	UAE
7 ETFS Physical Palladium	ETFS Metal Securities	1.40	Jersey
8 AIManarah Medium Growth Portfolio	The National Commercial Bank	1.29	Saudi Arabia
9 Solidarity Global Growth	Solidarity Funds Company	0.91	Bahrain
10 AlAhli Global Real Estate	The National Commercial Bank	0.77	Saudi Arabia
<b>EurekaHedge Islamic Fund Index*</b>		<b>1.32</b>	

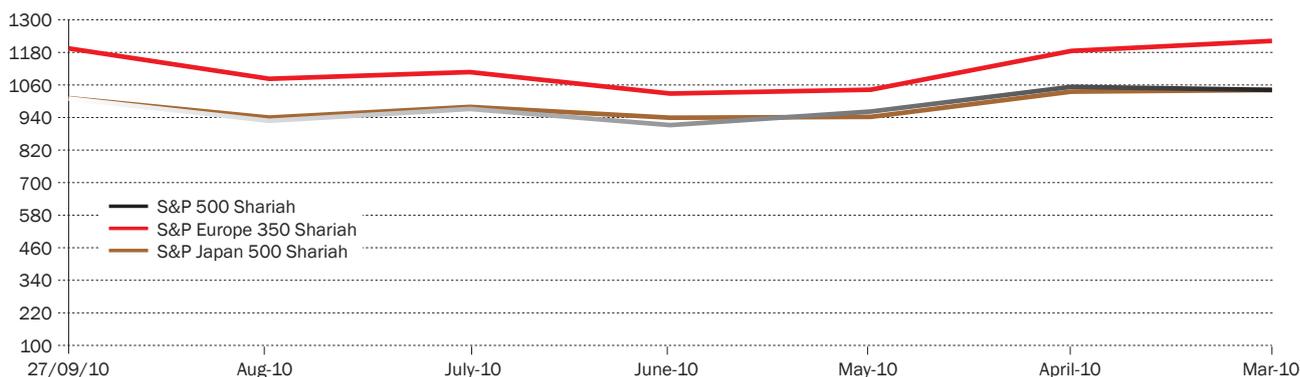
### Contact EurekaHedge

To list your fund or update your fund information: [islamicfunds@eurekaHedge.com](mailto:islamicfunds@eurekaHedge.com)  
 For further details on EurekaHedge: [information@eurekaHedge.com](mailto:information@eurekaHedge.com)  
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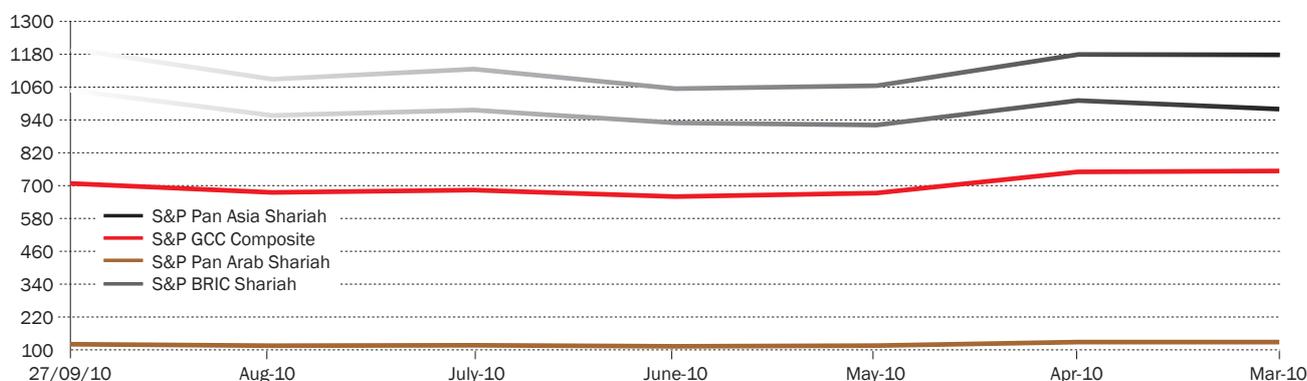
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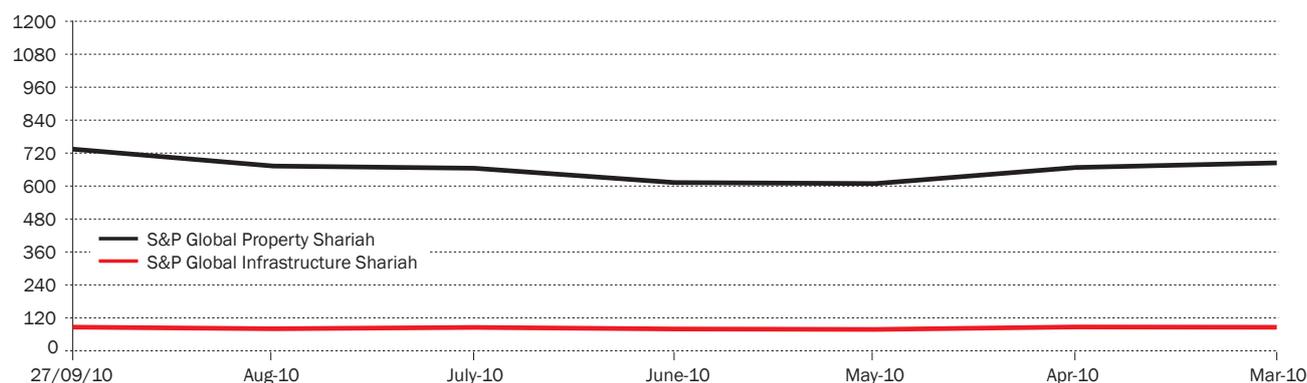
S&P Shariah Indices Price Index Levels



Index Code	Index Name	27/09/10	August-10	July-10	June-10	May-10	Apr-10	Mar-10
SPSHX	S&P 500 Shariah	1009.983	927.814	971.473	912.024	962.089	1053.050	1041.681
SPSHEU	S&P Europe 350 Shariah	1194.735	1082.714	1107.409	1028.288	1042.504	1185.474	1222.354
SPSHJU	S&P Japan 500 Shariah	1011.419	939.684	979.104	939.209	942.416	1035.333	1041.497



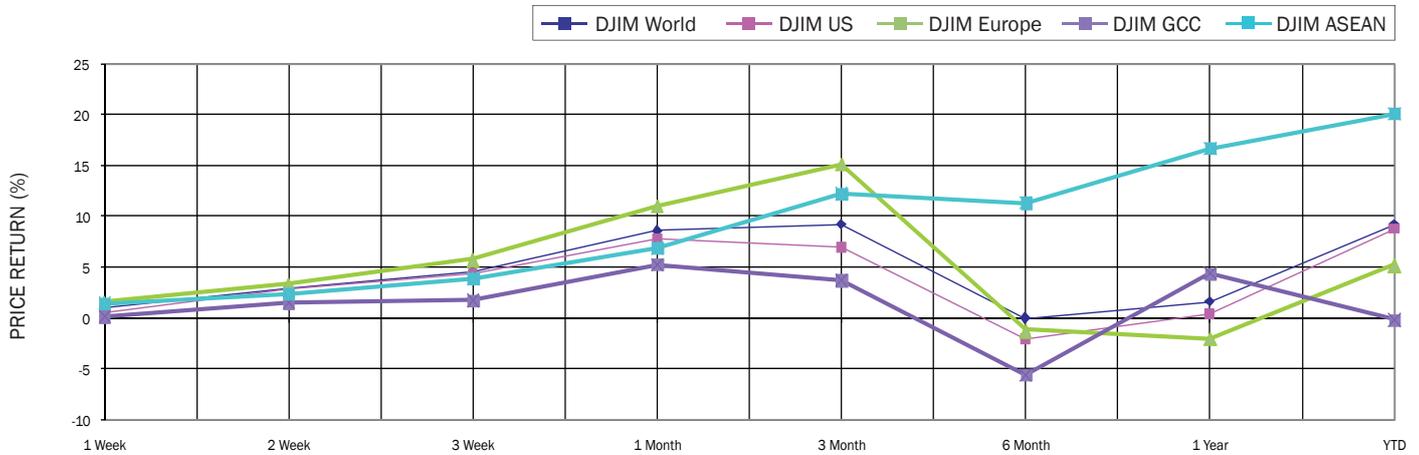
Index Code	Index Name	27/09/10	August-10	July-10	June-10	May-10	Apr-10	Mar-10
SPSHAS	S&P Pan Asia Shariah	1048.704	956.455	976.003	929.342	921.335	1010.900	979.563
SPSHG	S&P GCC Composite Shariah	707.886	675.181	683.611	659.910	672.795	750.159	753.479
SPSHPA	S&P Pan Arab Shariah	120.490	115.090	116.617	112.797	115.358	128.364	128.302
SPSHBR	S&P BRIC Shariah	1203.634	1093.125	1130.118	1058.653	1069.475	1183.561	1182.207



Index Code	Index Name	27/09/10	August-10	July-10	June-10	May-10	Apr-10	Mar-10
SPSHGU	S&P Global Property Shariah	734.306	672.740	664.799	612.598	608.951	667.560	684.290
SPSHIF	S&P Global Infrastructure Shariah	86.245	80.314	85.243	79.474	77.86	86.827	85.743

Data as of the 27<sup>th</sup> September 2010

PERFORMANCE OF DJ INDEXES



INDEX	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	0.99	2.84	4.55	8.56	9.21	-0.05	1.54	9.21
DJIM US	0.57	2.78	4.35	7.73	6.94	-2.05	0.35	8.78
DJIM Europe	1.52	3.37	5.72	10.94	15.13	-1.27	-2.03	5.17
DJIM GCC	0.13	1.47	1.71	5.24	3.67	-5.58	4.33	-0.22
DJIM ASEAN	1.42	2.35	3.84	6.86	12.17	11.31	16.65	20.09

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

DESCRIPTIVE STATISTICS	Market Capitalization (US\$ billion)							Component Weight (%)	
	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2376	15664.25	12176.03	5.12	1.06	315.18	0.01	2.59	0.00
DJIM US	588	6537.07	6139.07	10.44	2.69	315.18	0.15	5.13	0.00
DJIM Europe	258	2959.21	2337.48	9.06	2.37	141.09	0.24	6.04	0.01
DJIM GCC	112	206.07	87.20	0.78	0.31	9.98	0.03	11.45	0.03
DJIM MENA	157	364.30	105.31	0.67	0.19	12.71	0.02	12.07	0.02
DJIM ASEAN	221	430.27	172.66	0.78	0.16	16.58	0.00	9.61	0.00
DJIM Titans 100	100	6675.21	5894.83	58.95	39.86	315.18	13.17	5.35	0.22
DJIM Asia/Pacific Titans 25	25	1084.11	707.80	28.31	22.23	72.30	13.17	10.21	1.86

For more information, please visit [www.djislamicmarkets.com](http://www.djislamicmarkets.com) or contact

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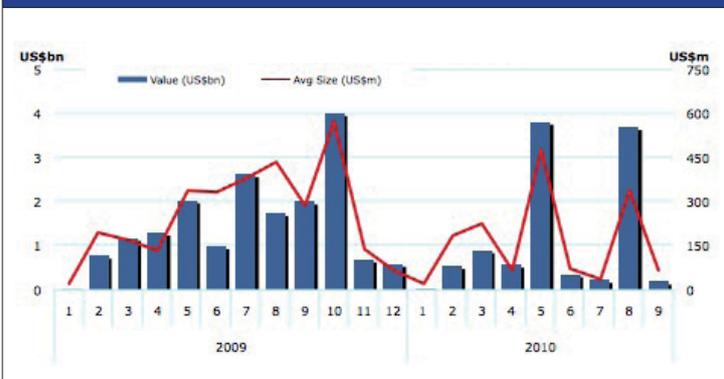
Dow Jones Indexes  
A CME Group Company

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	12.3	Standard Chartered, UBS, National Bank of Abu Dhabi, Dubai Islamic Bank, Bahrain Islamic Bank, Mitsubishi UFJ, Financial Group Emirates NBD, Al Hilal Bank
2	Saudi Electricity	Saudi Arabia	Sukuk	Domestic market public issue	1,866,000,000	1	11.9	HSBC, Samba Capital
3	Danga Capital	Malaysia	Sukuk Musharakah	Domestic market public issue; Foreign market private placement	1,700,000,000	2	10.8	Standard Chartered, HSBC, OCBC, RHB Capital, CIMB Group, DBS
4	Celcom Transmission (M)	Malaysia	Sukuk	Domestic market public issue	1,329,000,000	1	8.5	CIMB, Maybank Investment Bank
5	Cagamas	Malaysia	Sukuk Murabahah	Domestic market private placement; Domestic market public issue	1,269,000,000	10	8.1	CIMB, Maybank Investment Bank, HSBC, Cagamas, AmInvestment, RBS, RHB Capital, Al-Rajhi Banking & Investment, Standard Chartered
6	Malaysia	Malaysia	Sukuk Ijarah	Euro market public issue	1,250,000,000	1	8.0	HSBC, Barclays Capital, CIMB
7	TDIC Sukuk	UAE	Sukuk Ijarah	Euro market public issue	1,000,000,000	1	6.4	Standard Chartered, HSBC, Abu Dhabi Commercial Bank
8	Sime Darby	Malaysia	Sukuk Musharakah	Domestic market public issue	590,000,000	1	3.8	Public Bank, CIMB, Maybank Investment Bank
9	GE Capital Sukuk	US	Sukuk	Euro market public issue	498,000,000	1	3.2	Goldman Sachs, KFH, National Bank of Abu Dhabi, Citigroup
10	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk	Euro market public issue	446,000,000	1	2.8	Goldman Sachs, Deutsche Bank, Unicorn Investment Bank
11	Pengurusan Aset Air	Malaysia	Sukuk Ijarah	Domestic market private placement	341,000,000	1	2.2	CIMB
12	Malaysia Airports Capital	Malaysia	Sukuk Ijarah	Domestic market public issue	316,000,000	1	2.0	CIMB, Citigroup
13	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	Domestic market private placement	301,000,000	1	1.9	CIMB
14	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	228,000,000	1	1.5	Standard Chartered, CIMB
15	Saudi Hollandi Bank	Saudi Arabia	Sukuk Mudarabah	Domestic market public issue	193,000,000	1	1.2	Saudi Hollandi Bank, Riyad Bank
16	AmIslamic Bank	Malaysia	Sukuk Musharakah	Domestic market public issue	177,000,000	1	1.1	AmInvestment
17	Maju Expressway	Malaysia	Sukuk Musharakah	Domestic market public issue	168,000,000	1	1.1	CIMB
18	Pelabuhan Tanjung Pelepas	Malaysia	Sukuk	Domestic market public issue	167,000,000	1	1.1	RHB Capital, Maybank Investment Bank
19	Malaysia Debt Ventures	Malaysia	Sukuk Murabahah	Domestic market public issue	158,000,000	1	1.0	Lembaga Tabung Haji, RHB Capital, CIMB
20	Bank Pembangunan Malaysia Bhd	Malaysia	Sukuk Murabahah	Domestic market public issue	153,000,000	1	1.0	HSBC, CIMB
21	National Bank of Abu Dhabi	UAE	Sukuk Murabahah	Foreign market public issue	153,000,000	1	1.0	HSBC Maybank Investment Bank
22	Penerbangan Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	148,000,000	2	0.9	Bank Muamalat Malaysia, CIMB, HSBC, AmInvestment
23	Padiberas Nasional - Bernas	Malaysia	Sukuk Musharakah	Domestic market public issue	127,000,000	1	0.8	Standard Chartered, Bank Muamalat Malaysia
24	Nomura Sukuk	Japan	Sukuk Ijarah	Euro market public issue	100,000,000	1	0.6	KFH
24	Kuveyt Turk Katilim Bankasi AS	Kuwait	Sukuk	Euro market public issue	100,000,000	1	0.6	KFH, Citigroup
24	International Finance	US	Sukuk	Euro market public issue	100,000,000	1	0.6	HSBC, KFH, Dubai Islamic Bank, Liquidity Management Centre
27	Gamuda	Malaysia	Sukuk Musharakah and Sukuk Murabahah	Domestic market private placement	97,000,000	1	0.6	CIMB, AmInvestment
28	Perusahaan Listrik Negara	Indonesia	Sukuk Ijarah	Domestic market public issue	87,000,000	2	0.6	(Persero) Danareksa Bahana, Securities Bank Mandiri, Trimegah Securities
29	Citydev Nahdah	Singapore	Sukuk Ijarah	Domestic market private placement	72,000,000	2	0.5	CIMB
30	Haluan Gigih	Malaysia	Sukuk Musharakah	Domestic market private placement	64,000,000	3	0.4	Maybank Investment Bank
<b>Total</b>					<b>15,693,000,000</b>	<b>75</b>	<b>100.0</b>	

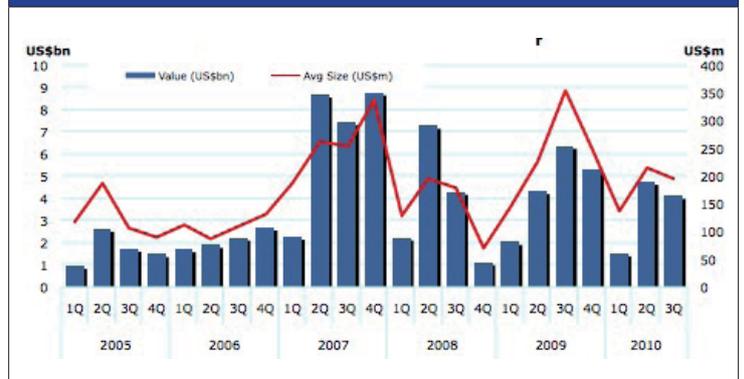
## 20 MOST RECENT GLOBAL ISLAMIC BONDS

Priced	Issuer	Nationality	Instrument	Market	Value US\$	Managers
15 <sup>th</sup> Sep 2010	Amlslamic Bank	Malaysia	Sukuk Musharakah	Domestic market public issue	177,000,000	AmInvestment
30 <sup>th</sup> Aug 2010	Pelabuhan Tanjung Pelepas	Malaysia	Sukuk	Domestic market public issue	167,000,000	RHB Capital, Maybank Investment Bank
20 <sup>th</sup> Aug 2010	Malaysia Airports Capital	Malaysia	Sukuk Ijarah	Domestic market public issue	316,000,000	CIMB, Citigroup
18 <sup>th</sup> Aug 2010	Celcom Transmission (M)	Malaysia	Sukuk	Domestic market public issue	1,329,000,000	CIMB, Maybank Investment Bank
18 <sup>th</sup> Aug 2010	Padiberas Nasional	Malaysia	Sukuk Musharakah	Domestic market public issue	127,000,000	Standard Chartered, Bank Muamalat Malaysia
16 <sup>th</sup> Aug 2010	Malaysia Debt Ventures	Malaysia	Sukuk Murabahah	Domestic market public issue	158,000,000	Lembaga Tabung, RHB Capital, CIMB
11 <sup>th</sup> Aug 2010	Cagamas	Malaysia	Sukuk	Domestic market private placement	317,000,000	RBS, RHB Capital, Al-Rajhi Banking & Investment
3 <sup>rd</sup> Aug 2010	Danga Capital	Malaysia	Sukuk Wakalah	Foreign market private placement	1,089,000,000	OCBC, DBS, CIMB
22 <sup>nd</sup> Jun 2010	National Bank of Abu Dhabi	United Arab Emirates	Sukuk Murabahah	Foreign market public issue	153,000,000	HSBC, Maybank Investment Bank
14 <sup>th</sup> Jun 2010	Maju Expressway	Malaysia	Sukuk Musharakah	Domestic market public issue	168,000,000	CIMB Group
27 <sup>th</sup> May 2010	Malaysia	Malaysia	Sukuk Ijarah	Euro market public issue	1,250,000,000	HSBC Barclays Capital CIMB Group
24 <sup>th</sup> May 2010	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	Domestic market private placement	301,000,000	CIMB
10 <sup>th</sup> May 2010	Saudi Electricity	Saudi Arabia	Sukuk	Domestic market public issue	1,866,000,000	HSBC, Samba Capital
7 <sup>th</sup> May 2010	Cagamas	Malaysia	Sukuk	Domestic market private placement	314,000,000	AmInvestment
27 <sup>th</sup> Apr 2010	Cagamas	Malaysia	Sukuk	Domestic market private placement	156,000,000	AmInvestment
1 <sup>st</sup> Apr 2010	Bank Pembangunan Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	153,000,000	HSBC, CIMB
31 <sup>st</sup> Mar 2010	Danga Capital	Malaysia	Sukuk Wakalah	Foreign market private placement	612,000,000	Standard Chartered, HSBC, OCBC, RHB Capital, CIMB
10 <sup>th</sup> Mar 2010	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	359,000,000	Standard Chartered, CIMB
11 <sup>th</sup> Feb 2010	Dar Al-Arkan International Sukuk Co	Saudi Arabia	Sukuk	Euro market public issue	450,000,000	Goldman Sachs, Deutsche Bank, Unicorn Investment Bank
25 <sup>th</sup> Dec 2009	Saudi Hollandi Bank	Saudi Arabia	Sukuk Mudarabah	Domestic market public issue	193,000,000	Saudi Hollandi Bank, Riyad Bank

## GLOBAL ISLAMIC BOND VOLUME BY MONTH



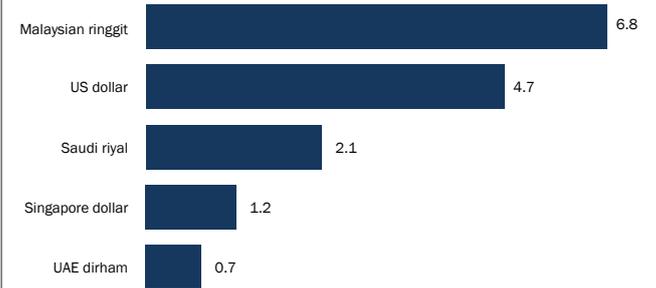
## GLOBAL ISLAMIC BOND VOLUME BY QUARTER



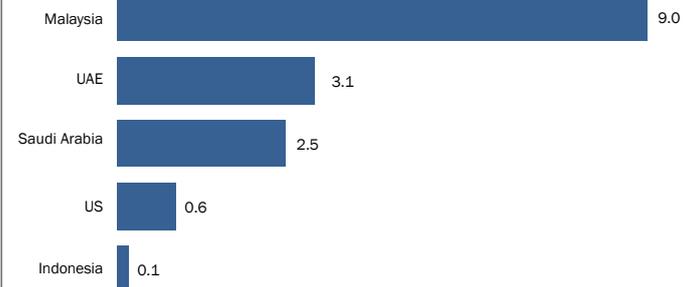
## TOP 30 MANAGERS OF ISLAMIC BONDS 12 Months

Manager	Amt US\$	Iss	%
1 CIMB	3,427,000,000	31	21.8
2 HSBC	2,057,000,000	11	13.1
3 Maybank Investment Bank	1,322,000,000	15	8.4
4 Standard Chartered	982,000,000	10	6.3
5 Samba Capital	933,000,000	1	6.0
6 AmInvestment	784,000,000	9	5.0
7 OCBC	500,000,000	3	3.2
8 Barclays Capital	417,000,000	1	2.7
9 RHB Capital	401,000,000	5	2.6
10 KFH	374,000,000	4	2.4
11 DBS	370,000,000	2	2.4
12 Abu Dhabi Commercial Bank	333,000,000	1	2.1
13 Dubai Islamic Bank	331,000,000	2	2.1
14 Mitsubishi UFJ Financial Group	324,000,000	2	2.1
15 Citigroup	308,000,000	3	2.0
16 UBS	306,000,000	1	2.0
16 Emirates NBD	306,000,000	1	2.0
18 Goldman Sachs	248,000,000	2	1.6
19 Bahrain Islamic Bank	208,000,000	1	1.3
20 National Bank of Abu Dhabi	197,000,000	2	1.3
21 Public Bank	197,000,000	1	1.3
22 Unicorn Investment Bank	149,000,000	1	1.0
22 Deutsche Bank	149,000,000	1	1.0
24 Bank Muamalat Malaysia	148,000,000	3	0.9
25 RBS	106,000,000	1	0.7
25 Al-Rajhi Banking & Investment	106,000,000	1	0.7
27 Cagamas	101,000,000	1	0.6
28 Al Hilal Bank	97,000,000	1	0.6
29 Saudi Hollandi Bank	97,000,000	1	0.6
29 Riyadh Bank	97,000,000	1	0.6
<b>Total</b>	<b>15,693,000,000</b>	<b>75</b>	<b>100</b>

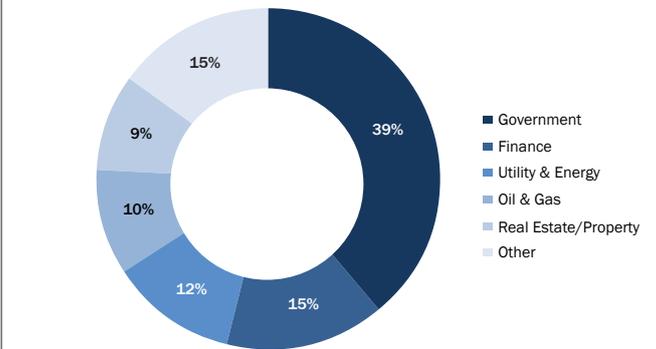
## ISLAMIC BOND VOLUME BY CURRENCY US\$ (BILLION)



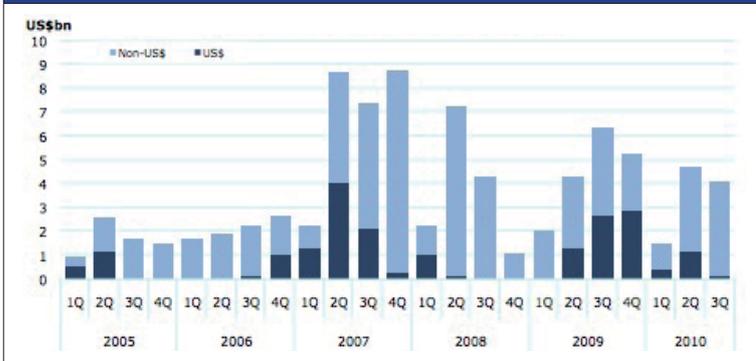
## ISLAMIC BOND VOLUME BY ISSUER NATION US\$ (BILLION) - 12 Months



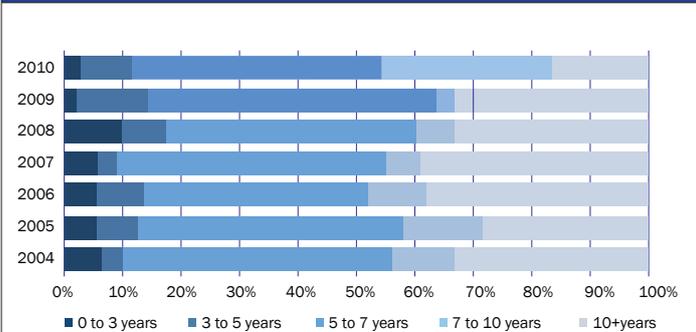
## GLOBAL ISLAMIC BOND VOLUME BY SECTOR - 12 Months



## GLOBAL ISLAMIC BOND VOLUME - US\$ ANALYSIS



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



### ARE YOUR DEALS LISTED HERE?

If you feel that the information within these tables is inaccurate, you may contact the following directly:

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ALL DATA AS OF THE 27<sup>th</sup> SEPTEMBER 2010

SUKUK MANAGERS		(12 months)	SEP 2009 – SEP 2010	
Manager	Manager Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	21,270,604,200	96	55.2
2	CIMB	5,540,884,158	84	14.4
3	Malayan Banking	1,641,528,275	94	4.3
4	RHB Banking Group	1,023,871,460	36	2.7
5	HSBC Banking Group	928,179,801	37	2.4
6	Malaysian Industrial Development Finance	903,463,388	203	2.3
7	AMMB Holdings	877,256,652	57	2.3
8	Standard Chartered	727,331,469	13	1.9
9	Dubai Islamic Bank	602,646,875	3	1.6
10=	Mitsubishi UFJ Financial Group	482,646,875	2	1.3
10=	UBS	482,646,875	2	1.3
12	Cagamas	469,142,626	32	1.2
13	Barclays Bank	412,500,000	1	1.1
14	Indonesia (Government)	242,558,020	14	0.6
15	Affin Holdings	220,909,795	21	0.6
16	Bukhary Capital	176,990,490	4	0.5
17	OCBC Bank	174,508,082	21	0.5
18	EON Capital	171,305,809	70	0.4
19	OSK Holdings	153,280,341	20	0.4
20	Unicorn Investment Bank	148,500,000	1	0.4

SUKUK MANAGERS		(3 months)	JUNE 2010 - SEP 2010	
Manager	Manager Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	6,521,426,600	28	62.2
2	CIMB	1,819,638,031	17	17.4
3	Malayan Banking	478,058,192	27	4.6
4	RHB Banking Group	433,247,315	9	4.1
5	AMMB Holdings	259,740,904	14	2.5
6	Malaysian Industrial Development Finance	241,607,838	48	2.3
7	Cagamas	181,199,696	8	1.7
8	Bukhary Capital	128,928,400	1	1.2
9	RBS	77,507,250	1	0.7
10	EON Capital	52,570,299	14	0.5
11=	Kuwait Finance House	50,000,000	1	0.5
11=	Citigroup	50,000,000	1	0.5
13	Affin Holdings	47,454,810	4	0.5
14	OSK Holdings	34,145,652	5	0.3
15	HSBC Banking Group	21,506,196	7	0.2
16	Public Bank	11,035,195	3	0.1
17	Hong Leong Financial Group	10,922,135	1	0.1
18	Standard Chartered	8,859,538	1	0.1
19=	Asia Sukses Mandiri Sejati	5,530,950	2	0.1
19=	Bumiputera	5,530,950	2	0.1

SUKUK ISSUERS		(12 months)	SEP 2009 – SEP 2010	
Issuer	Issuer Commitment (in US\$)	Issues	Market Share %	
1	BNM Sukuk	14,634,017,100	71	34.8
2	Malaysia (Government)	6,399,875,800	25	15.2
3	Bank Indonesia	2,832,476,598	37	6.7
4	Perusahaan Penerbit Sbsn Indonesia	2,232,327,003	10	5.3
5	Dubai DOF Sukuk	1,930,587,500	2	4.6
6	Cagamas	1,649,054,340	33	3.9
7	Celcom Transmission (M)	1,342,937,400	4	3.2
8	Pengurusan Air SPV	1,173,293,540	5	2.8
9	TDIC Sukuk	1,000,000,000	1	2.4
10	Esso Malaysia	677,580,710	12	1.6
11	Danga Capital	621,408,000	1	1.5
12	Sime Darby	594,088,000	3	1.4
13	Syarikat Prasarana Negara	577,872,000	2	1.4
14	Dar Al-Arkan International Sukuk	450,000,000	1	1.1
15	Khazanah Nasional	367,252,800	1	0.9
16	Malakoff	331,466,000	2	0.8
17	Malaysia Airports Capital	319,747,000	1	0.8
18	Projek Lebuhraya Utara-Selatan	303,767,000	1	0.7
19	Hytex Integrated	252,708,357	40	0.6
20	Hubline	218,211,995	19	0.5

SUKUK ISSUERS		(3 months)	JUNE 2010 - SEP 2010	
Issuer	Issuer Commitment (in US\$)	Issues	Market Share %	
1	BNM Sukuk	5,619,947,800	24	50.2
2	Celcom Transmission (M)	1,342,937,400	4	12.0
3	Malaysia (Government)	1,057,509,300	5	9.5
4	Cagamas	405,308,830	8	3.6
5	Malaysia Airports Capital	319,747,000	1	2.9
6	Perusahaan Penerbit Sbsn Indonesia	319,528,745	1	2.9
7	Pengurusan Air SPV	222,575,500	1	2.0
8	AM Islamic Bank	177,190,750	1	1.6
9	Pelabuhan Tanjung Pelepas	169,218,525	1	1.5
10	Malaysia Debt Ventures Bhd	159,124,000	2	1.4
11	National Bank Of Abu Dhabi	155,014,500	1	1.4
12	Esso Malaysia	135,195,110	4	1.2
13	Padiberas Nasional	128,928,400	1	1.2
14	Bank Indonesia	101,475,345	4	0.9
15	KT Turkey Sukuk	100,000,000	1	0.9
16	Hytex Integrated	66,415,207	12	0.6
17	Perusahaan Perseroan (Persero) Perusahaan Listrik Negara	55,309,500	2	0.5
18	Perbadanan Kemajuan Negeri Selangor	50,831,530	3	0.5
19	Hubline	47,454,810	4	0.4
20	MM Vitaols	40,060,539	13	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.

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ALL DATA AS OF THE 27<sup>th</sup> SEPTEMBER 2010

LOAN MANDATED LEAD ARRANGERS		SEP 2009 – SEP 2010			
	Lender	Pro Rata (US\$)	Full Credit (US\$)	Deals	Market Share %
1	HSBC	1,330,497,333.40	4,482,989,333.62	4	16.6
2	Qatar Islamic Bank	1,098,538,943.20	1,098,538,943.20	1	13.7
3	Standard Chartered	1,037,880,504.04	2,480,106,140.19	6	12.9
4	Samba Financial	656,911,446.53	3,035,817,559.88	3	8.2
5	Credit Agricole Corporate & Investment Bank	556,914,113.13	2,635,828,226.26	2	6.9
6	National Commercial Bank	512,110,528.84	2,546,221,057.68	2	6.4
7=	Arab Bank	380,500,000.00	2,283,000,000.00	1	4.7
7=	Saudi Hollandi Bank	380,500,000.00	2,283,000,000.00	1	4.7
9	WestLB	318,232,314.04	391,161,570.19	4	4.0
10	Noor Islamic Bank	242,981,523.33	728,944,570.00	3	3.0
11	Al Hilal Bank	197,500,999.35	409,001,998.69	2	2.5
12	Abu Dhabi Islamic Bank	183,500,999.35	367,001,998.69	1	2.3
13	Royal Bank of Scotland	175,000,000.00	525,000,000.00	2	2.2
14	Arab Banking	167,981,523.33	503,944,570.00	2	2.1
15	Alinma Bank	131,610,528.84	263,221,057.68	1	1.6
16	Masraf Al Rayan	126,666,666.67	460,000,000.00	2	1.6
17=	National Bank	99,997,333.40	399,989,333.62	1	1.2
17=	Riyad Bank	99,997,333.40	399,989,333.62	1	1.2
19	Development Bank of Singapore	51,666,666.67	260,000,000.00	2	0.6
20	Citigroup	40,000,000.00	40,000,000.00	1	0.5
21=	Bank Islam Malaysia	26,666,666.67	160,000,000.00	1	0.3
21=	Sumitomo Mitsui Financial Group	26,666,666.67	160,000,000.00	1	0.3
21=	Malayan Banking	26,666,666.67	160,000,000.00	1	0.3
24=	Mitsubishi UFJ Financial	25,000,000.00	100,000,000.00	1	0.3
24=	CIMB	25,000,000.00	100,000,000.00	1	0.3
24=	Oversea-Chinese Banking	25,000,000.00	100,000,000.00	1	0.3
27=	Kuwait Finance House	18,232,314.04	91,161,570.19	1	0.2
27=	Abu Dhabi Commercial Bank	18,232,314.04	91,161,570.19	1	0.2
27=	Standard Bank	18,232,314.04	91,161,570.19	1	0.2
30=	National Bank of Abu Dhabi	14,000,000.00	42,000,000.00	1	0.2
30=	BNP Paribas	14,000,000.00	42,000,000.00	1	0.2

LOAN BOOKRUNNERS		SEP 2009 – SEP 2010			
	Lender	Pro Rata (US\$)	Full Credit (US\$)	Deals	Market Share %
1	Qatar Islamic Bank	1,098,538,943.20	1,098,538,943.20	1	62.6
2	WestLB	391,161,570.19	391,161,570.19	4	22.3
3=	Standard Chartered	75,000,000.00	225,000,000.00	1	4.3
3=	Royal Bank of Scotland	75,000,000.00	225,000,000.00	1	4.3
3=	Noor Islamic Bank	75,000,000.00	225,000,000.00	1	4.3
6	Citigroup	40,000,000.00	40,000,000.00	1	2.3

ISLAMIC LOANS RAISED		(12 Months)	SEP 2009 – SEP 2010
	Borrower	Country	Islamic Loan Amount (US\$)
1	Power & Water Utility Co for Jubail & Yanbu	Saudi Arabia	2,283,000,000
2	Qatari Diar Real Estate Investment	Qatar	1,500,000,000
3	Qatari Diar Real Estate Investment	Qatar	1,098,538,943
4	Riyadh Independent Power Plant	Saudi Arabia	616,049,284
5	Etihad Etisalat	Saudi Arabia	399,989,334
6	Emirates Steel Industries	UAE	367,001,999
7	Qatari Diar Real Estate Investment	Qatar	300,000,000
8	Asya Katilim Bankasi	Turkey	253,944,570
9	Albaraka Turk Katilim Bankasi	Turkey	250,000,000
10	Dubai International Capital	UAE	225,000,000
11	Qatar Airways	Qatar	160,000,000
12	Emirates Trading Agency	UAE	100,000,000
13	Gulf Finance House	Bahrain	100,000,000
14	Gulf Finance House	Bahrain	100,000,000
15	Olam International	Singapore	100,000,000
16	Global Investment House	Kuwait	91,161,570
17	Al Jaber Aviation	UAE	42,000,000
18	Ozkan Demir Celik Sanayi	Turkey	40,000,000



ALL DATA AS OF THE 27<sup>th</sup> SEPTEMBER 2010

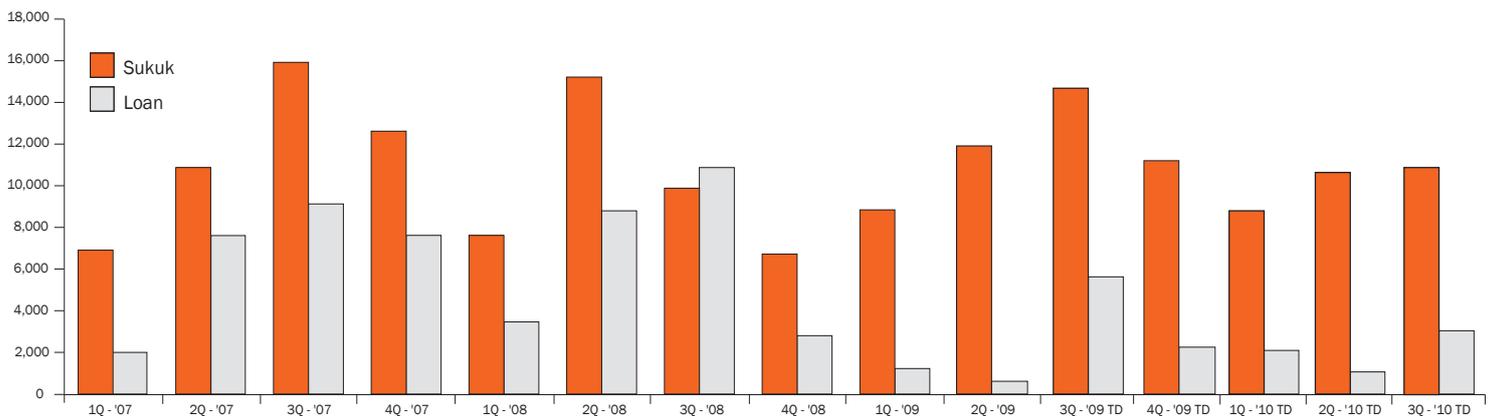
SUKUK BY COUNTRY	(12 Months)	SEP 2009 – SEP 2010
Country	Volume Issued	Volume Outstanding
Malaysia	32,821,738,716	21,559,177,254
Indonesia	5,278,853,620	2,547,852,367
Eurobond	3,030,587,500	3,030,587,500
US	575,000,000	575,000,000
Saudi Arabia	193,328,500	193,328,500
Singapore	92,728,884	92,728,884
Bahrain	68,956,720	53,041,600
Pakistan		
Cayman Islands	-	-
UAE	-	-
Jersey	-	-

LOANS BY COUNTRY	(12 Months)	SEP 2009 – SEP 2010
Country	Volume (US\$)	Market Share (%)
Saudi Arabia	3,299,038,618	41.1
Qatar	3,058,538,943	38.1
UAE	734,001,999	9.1
Turkey	543,944,570	6.8
Bahrain	200,000,000	2.5
Singapore	100,000,000	1.2
Kuwait	91,161,570	1.1

SUKUK BY INDUSTRY	(12 Months)	SEP 2009 – SEP 2010
Industry	Volume Issued	Volume Outstanding
Other financial	23,243,101,238	13,870,265,878
Sovereign	9,232,352,398	6,501,351,145
Agency	2,727,555,173	2,668,889,313
Manufacturing	2,097,506,701	1,349,594,032
Telephone	1,364,135,000	1,364,135,000
Transportation	1,340,826,945	1,170,069,760
Energy company	749,644,085	94,124,100
Banks	525,533,750	525,533,750
Electric power	418,970,597	243,146,597
Service company	413,188,243	316,226,720
Consumer goods	237,315,810	237,315,810

LOANS BY INDUSTRY	(12 Months)	SEP 2009 – SEP 2010
Industry	Volume (US\$)	Market Share(%)
Real estate	2,898,538,943	36.1
Construction	2,383,000,000	29.7
Financial services	1,020,106,140	12.7
Utilities	616,049,284	7.7
General manufacturing	407,001,999	5.1
Telecommunications	399,989,334	5.0
Transportation	160,000,000	2.0
Wholesale	100,000,000	1.2
Aerospace and defense	42,000,000	0.5

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



## EVENTS DIARY

DATE	EVENT	VENUE	ORGANIZER
<b>October</b>			
4 <sup>th</sup> - 7 <sup>th</sup>	Islamic Finance World Africa 2010	Johannesburg	Terrappin
6 <sup>th</sup>	IFN Roadshow Saudi Arabia	Saudi Arabia	REDmoney events
18 <sup>th</sup> - 22 <sup>nd</sup>	25 <sup>th</sup> East Asian Insurance Congress	Bali, Indonesia	EAIC Organizing Committee
25 <sup>th</sup> - 28 <sup>th</sup>	Global Islamic Finance Forum 2010 (GIFF 2010)	Kuala Lumpur	REDmoney events
26 <sup>th</sup> - 28 <sup>th</sup>	IFN Issuers & Investors Asia Forum 2010	Kuala Lumpur	REDmoney events
<b>November</b>			
10 <sup>th</sup>	IFN Roadshow Canada	Toronto	REDmoney events
10 <sup>th</sup> - 11 <sup>th</sup>	Middle East Life & Family Takaful Summit	Dubai	Asia Insurance Review
12 <sup>th</sup>	IFN Roadshow UK	London	REDmoney events
15 <sup>th</sup>	IFN Roadshow France	Paris	REDmoney events
22 <sup>nd</sup> - 24 <sup>th</sup>	The World Islamic Banking Conference	Bahrain	MEGA Events
<b>December</b>			
1 <sup>st</sup> - 2 <sup>nd</sup>	Annual Conference on Islamic Banking & Finance	Manama	AAOIFI
6 <sup>th</sup>	IFN Roadshow Korea	Seoul	REDmoney events
8 <sup>th</sup>	IFN Roadshow Japan	Tokyo	REDmoney events
8 <sup>th</sup> - 9 <sup>th</sup>	The Saudi Investor Window 2010	Riyadh	UCI International
13 <sup>th</sup>	IFN Roadshow Brunei	Brunei	REDmoney events

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