

Islamic Finance *news*

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Of soviets and Sukuk

We turn our attention this week to two countries in the Volga basin, Tatarstan and Kazakhstan.

Tatarstan, an autonomous republic within the Russian Federation where half of the 3.8 million population is Tatar, has been experiencing a rebirth of Islam in the past decade. Although a Muslim people since the 10th century, Gorbachev's perestroika of the 1980s eliminated all but one mosque in the capital Kazan in 1990.

In rebuilding the country, Tatarstan Muslims who make up 52% of the population are learning anew the basic points of Islam, and decidedly, Islamic finance. A report by consultancy firm IFC Linova sees the republic as a key Islamic finance and business driver in Russia. It details the recent developments in that space, particularly with the Tatarstan International Investment Company, and advocacy efforts by president Rustam Minnikhanov.

Kazakhstan, with over 70% of Muslims, has been making inroads into Islamic finance for some time now. Not only are three Islamic banks to open in the next two years, legislation on Islamic finance was already adopted in Kazakhstan in 2009 which covers Islamic banking, capital market, and investment funds. The sector has received government support, especially in the vision to become a regional Islamic financial center in Almaty by 2020. A report on this is brought by the Agency of the Republic of Kazakhstan on regulation of activities of the Regional Financial Centre of Almaty City. The report outlines the work being done on amendments to legislation and the taxation basis for Sukuk issuance in Kazakhstan, both of which are being discussed in parliament.

While the first sovereign Sukuk from Kazakhstan will help to cover the budget deficit and set a benchmark for corporate issuers, Islamic bonds have long been linked to project and infrastructure financing. However, not everyone can benefit from it.

In North America where many infrastructure developments are shelved due to lack of funding, access to Sukuk is non-existent. The low awareness and absence of support for international Islamic banks are some of the obstacles for Sukuk to penetrate such markets, according to a report by AYA Financial.

Still, this might be a good thing, in the light of the identity crisis faced by Sukuk as being either debt or equity. This old debate finds itself an answer in Islamic quasi-equity, put forward by Bener Law Office in Turkey. The law firm's report traces the evolution of Sukuk and how it became trapped in a debt-based market, seemingly destined to stay there, mimicking debt.

Nevertheless, all is not lost as the future of Sukuk is as solid as a brick wall, based on a report by Standard & Poor's. In S&P's global outlook for Islamic bonds, sovereign issuers have kept the Sukuk market busy, the Malaysian ringgit remains the currency of choice, and Singapore and Hong Kong too may play a role – in cross border issuances.

In another report, Meezan Bank illustrates and compares differing methods for Shariah screening and dividend purification. Our IFN reports bring you the lowdown on Dubai Islamic Bank's acquisition of Tamweel, Fajr Capital's first ever investment, and Abu Dhabi Commercial Bank's next moves. ☺

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FORWARD BANKING CIMB ISLAMIC

NEWS

- **Gulf African Bank** launches Islamic auto financing
- Slow law reforms hold back Islamic finance growth in Kenya
- **Al Salam Bank Sudan** net profit grows 60% in net profit in 2010
- The **IDB Group** pledges US\$3 billion financing for Pakistan
- **Bank BNI Syariah** targets 50% asset growth for 2011
- **Fajr Capital** takes up undisclosed stake in **Bank Islam Brunei Darussalam**
- **Bank Muamalat Indonesia** to issue US\$114.6 million Sukuk in 2012
- Islamic megabanks could announce investment plans this year
- **Lanka Securities** unveils Shariah compliant share list to screen stocks
- Islamic banking assets rose 16% to US\$116 billion in 2010 in Malaysia
- **Bank Alfalah** charts US\$66 million profit in 2010
- **Bank Syariah Bukopin** seeks to raise capital to US\$11.5 million
- Indonesia's Islamic banks urged to fund government projects
- Singapore's capital market to see more Sukuk and Islamic REITs
- **Bank Syariah Bukopin's** net profit soars by 1131.63%
- **Bank Muamalat Indonesia** seeks to raise financing to US\$250 million
- **State Bank of Pakistan** announces profit rate of 14.0585% for Ijarah Sukuk
- **Indonesia Capital Market and Financial Institution Supervisory Agency** launches website on Islamic capital markets
- India's central bank seeks government's approval for **Bank Asya's** office in Mumbai
- **Lanka Securities** introduces Islamic share list on **Colombo Stock Exchange**
- **Bank Kerjasama Rakyat Malaysia** to disburse financing worth US\$66 million
- Malaysian government Sukuk yields drop as ringgit recovery draws investors
- **Meezan Bank's** shareholders approve 15% bonus shares for 2010
- **Islamic Bank of Britain** introduces Shariah compliant retail investments
- **Kuveyt Türk Participation Bank** sells gold coins through ATMs
- **Ahli United Bank's** UK Student Accommodation Fund buys assets for US\$62 million
- High Court disallows **European Islamic Investment Bank** from joining UK group lawsuit
- **Gatehouse Bank** seeks to raise US\$80 million for investment in central London properties
- Comprehensive law needed to regulate Islamic banks
- **Qatar Exchange** to trade conventional bonds and Sukuk by second quarter
- **Al Hilal Bank** reports first yearly profit of US\$38.1 million
- **Central Bank of Bahrain** monthly Sukuk Al-Ijarah issuance oversubscribed by 400%
- Announcement on Islamic fund in the US next month
- Islamic banking to chart 18% growth rate in Saudi Arabia
- **Dubai World** signs final debt restructuring deal
- **Al Tamimi & Co** advises **Capital Investment & Brokerage** on Sukuk
- **Kuwait Investment Authority** to establish US\$3.6 billion real estate investment portfolio
- Verdict for **Dubai Islamic Bank** fraud case next month
- **Abu Dhabi Commercial Bank** hires **Goldman Sachs** to advise on sale of 25% stake in RHB Capital
- Qatar conventional banks' Islamic windows can operate until 2012
- New Islamic banks to be launched in Saudi Arabia
- **Bahrain Development Bank** signs deal with **Tamkeen** to raise financing
- Daman Islamic Fund charts 0.42% rise in net asset value
- **National Bank of Abu Dhabi** plans to establish Malaysian Islamic banking unit
- **Qatar Central Bank** launches credit bureau to boost transparency
- **Saudi Investment Bank** hikes capital to US\$1.5 billion
- **Dubai Bank** to waive rental charges for projects
- **International Bank of Qatar** unveils ladies banking package
- Shura Council approves amendments for Islamic mortgage draft law
- High drop in Dubai Sukuk yields lead rally in Gulf Islamic bonds
- **Masraf Al Rayan's** shareholders grant approval to issue Islamic notes

TAKAFUL

- **Takaful Insurance of Africa** launches first products in Kenya
- **The Malaysian Insurance Institute** unveils competency framework
- **Alinma Bank** signs deal with five partners to create **Tokio Marine Saudi Arabia**
- **Dubai Islamic Insurance and Reinsurance Company** grew 29% last year

RATINGS

- **RAM** lifts negative Rating Watch on **Musteq Hydro's** US\$36 million Bai Bithaman Ajil fixed rate serial bonds
- **PACRA** maintains stability rating of **KASB Islamic Opportunity Fund** at 'BBB(f)'
- **MARC** assigns rating of 'AAIS(fg)' to **1 Warisan's** US\$56 million seven-year Islamic medium-term notes program
- **Fitch** withdraws **Dubai Electricity and Water Authority's** ratings

MOVES

- **Securities Commission of Malaysia** extends **Zarinah Anwar's** tenure as chairman
- **Ajman Bank** appoints **Asad Ahmed Batla** as senior vice president-head of retail banking
- **Abu Dhabi Commercial Bank** appoints **Amr Saad Al Menhali** as head of Islamic banking
- **Barwa Real Estate Company** appoints **Dr Mohammed Asad Al Emadi** as group CEO
- **Public Islamic Bank** appoints **Tang Wing Chew** as independent non-executive director

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AFRICA

Tax deductible auto financing

KENYA: Gulf African Bank has launched a Shariah compliant auto financing plan that will allow customers to own cars under Ijarah agreements.

Najmul Hassan, its CEO said as Ijarah contracts are treated as operating expenses, the plan is tax deductible, making it an attractive option for corporates. (f)

Call for law reforms

KENYA: The slow rate of law reforms governing Islamic finance is holding back the sector's growth, and Islamic bankers are calling for a wholesome review of the laws, according to Mohammad Haris, deputy general manager and head of corporate banking and structured finance at Gulf African Bank.

Islamic banks in Kenya are unable to invest in government bonds as they are currently structured, and are calling on the Central Bank of Kenya and other players to review laws to allow them to issue Shariah compliant bonds and other investment instruments. (f)

Positive outlook

SUDAN: Al Salam Bank Sudan's profit after tax and Zakat increased by 60% to SDG36.2 million (US\$13 million) in 2010.

Assets grew 23% to SDG1.337 billion (US\$479 million), while customer deposits rose 25% to SDG924 million (US\$331 million).

The financing portfolio went up 22% to SDG1.8 billion (US\$645 million). (f)

ASIA

Funding development program

PAKISTAN: The Islamic Development Bank (IDB) Group has signed an agreement with Pakistan's Economic Affairs Division to provide US\$3 billion in financing from 2012 to 2015 to fund the country's socio-economic development program.

Mohammad Jamal Al-Saati, director of country department at the IDB, said Pakistan which is a founding member of the bank, is the second largest beneficiary of the group's financing.

He added that the IDB Group has so far approved US\$7.5 billion in projects and trade financing for Pakistan. (f)

High growth target

INDONESIA: Bank BNI Syariah is targeting an asset growth of 50% for 2011, to be driven by branch expansion and a boost in Islamic trade finance.

Rizqullah Thohuri, president director said the bank plans to open 10 branches and 28 sub-branches, including in Bali and Kalimantan. (f)

First investment

BRUNEI: Fajr Capital has made its first investment by taking up an undisclosed stake in Bank Islam Brunei Darussalam (BIBD).

The acquisition makes Fajr Capital the third largest shareholder in BIBD after Brunei's ministry of finance and Yayasan Sultan Haji Hassanah Bolkihah, who hold 40% and 25% of BIBD respectively.

Fajr Capital will also have management responsibilities in BIBD and plans to strengthen the bank's products and services and introduce international best practices. (f)

(See IFN Report on page 12)

Capital raising exercises

INDONESIA: Bank Muamalat Indonesia is planning to issue an IDR1 trillion (US\$114.6 million) Sukuk next year.

The bank is also considering raising up to IDR1 trillion in capital through a rights issue or sale of subordinated debt. (f)

Finalizing applications

MALAYSIA: Two entities expected to receive Islamic megabank licences from Bank Negara Malaysia (BNM), the central bank, are finalizing their applications.

Zeti Akhtar Aziz, governor of BNM said the megabanks will announce their investment plans once they have submitted their business plans, proposed senior management, board members and other details. The announcement is expected this year.

Zeti added that the megabanks are given more time to make their announcement due to the challenging environment. (f)

Equity screening

SRI LANKA: Lanka Securities has introduced a Shariah compliant share list to meet investors' needs on the Colombo Stock Exchange.

The list is a screening methodology for stocks to ensure compliance with Islamic finance principles. It will be reviewed on a weekly basis to monitor the impact of equity prices. (f)

Increasing growth efforts

MALAYSIA: Islamic banking assets in the country increased by 16% to RM350.8 billion (US\$116 billion) in 2010 after the government approved new licences and eased restrictions on foreign ownership, said the central bank, Bank Negara Malaysia (BNM).

Islamic banking assets, financing and deposits now account for 21% of the total banking system while Takaful assets rose by 18% from 2009 to RM14.7 billion (US\$485 million) in 2010. Takaful assets now make up 8.7% of total insurance and Takaful industry assets, compared to 8.3% in 2009.

BNM also said the new financial sector blueprint to be unveiled in June will set the course for the country's financial sector up to 2020. (f)

High profit returns

PAKISTAN: Bank Alfalah posted a profit before provision and tax of PKR5.604 billion (US\$66 million) in 2010.

Its Islamic banking business increased profit before tax by 38.26% to PKR969.953 million (US\$11 million).

Deposit base grew 9.01% to PKR354.015 billion (US\$4.2 billion), while gross advances stood at PKR218.432 billion (US\$2.6 billion). (f)

Capital hike this year

INDONESIA: Bank Syariah Bukopin is planning to raise its capital to IDR100 billion (US\$11.5 million) this year through existing

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shareholders, said Riyanto, president director.

He said the increase will support the bank's expansion by providing financing to small and medium enterprises, investing in information technology, and strengthening human resources. (F)

Finance government projects

INDONESIA: Baharudin Abdul Majid, president director of Maybank Syariah Indonesia has urged Islamic banks to work together to finance large scale government infrastructure projects.

Banks in Indonesia are required to limit their financing for a customer to 20% of their capital, putting Islamic banks at a disadvantage due to their small capital size. (F)

Sukuk gains popularity

SINGAPORE: Singapore's capital market will witness more Sukuk and Shariah compliant real estate investment trusts.

Mohammad Faiz Azmi, global Islamic finance leader and partner at PricewaterhouseCoopers said there is a demand for good quality credit of such instruments from the country.

He urged the country to encourage more blue chip companies to raise their Islamic instruments out of Singapore, as having a higher credit rating will compel investors to purchase them.

Devan Selvanathan, director of debt capital markets and syndicate at CIMB (Singapore), said the bank is planning to create a competitive Islamic financial market in Southeast Asia and bring overseas issuers to Singapore. (F)

Leap in profits

INDONESIA: Bank Syariah Bukopin's net profit increased by 1131.63% to IDR10.23 billion (US\$1.18 million) in 2010 due to an increase in principal operating income, according to Riyanto, president director.

Total assets grew 11.09% to IDR2.19 trillion (US\$251 million) due to an increase in financing. Financing rose 25.94% to IDR1.61 trillion (US\$184 million).

However, financing to total deposits ratio fell to 99.37%, compared to 100.62% in 2009. (F)

US\$250 million financing

INDONESIA: Bank Muamalat Indonesia is planning to increase its syndicated financing fivefold this year to US\$250 million by funding two power plants.

Arviyan Arifin, president director explained that Bank Muamalat will leverage its Malaysian branch office to attract new partners such as Kuwait Finance House (Malaysia), to participate in these projects.

The bank is expecting to close the financing deal by the third quarter.

Arviyan said the bank is also in talks with the Islamic Development Bank and two local Shariah banks to finance these schemes. (F)

Profit rate declared

PAKISTAN: State Bank of Pakistan, the country's central bank has announced the sixth coupon rate for its three-year government of Pakistan Ijarah Sukuk (GIS-1) at 14.0585%.

The central bank said the profit rate will be applicable to all accepted bids in the auction. (F)

Regulator's new website

INDONESIA: The Indonesia Capital Market and Financial Institution Supervisory Agency has launched a website on Islamic capital markets.

The website covers Islamic product statistics, Islamic capital market glossary and publications, and fatwas of the National Islamic Council. (F)

First foreign Islamic bank

INDIA: The Reserve Bank of India (RBI), the country's central bank is seeking government approval to allow Turkey's Bank Asya to set up a representative office in Mumbai.

The central bank has requested the government to consider the application within 45 days.

Bank Asya had earlier secured permission from the Turkey Banking Regulation

and Supervision Agency and RBI for its representative office in Mumbai. (F)

Islamic finance still developing

SRI LANKA: Islamic finance principles are still evolving as issues remain unresolved on the definition on Shariah compliant stocks both in Sri Lanka and abroad, said Ishrat Rauff, CEO of ADL Capital, an Islamic finance advisory firm.

ADL Capital follows guidelines set by the AAOIFI, but uses a Shariah advisor from South Africa to help resolve debatable cases.

Ishrat said the list of Shariah compliant firms screened by his firm will be published soon, and revised upon changes in the businesses, based on market capitalization and after analyzing quarterly accounts. (F)

High expectation

MALAYSIA: Bank Kerjasama Rakyat Malaysia is planning to disburse financing worth RM200 million (US\$66 million) this year via its Ar-Rahnu X"Change franchise.

Ar-Rahnu is the bank's Islamic pawn-broking business which offers non-interest financing with flexible periods.

Kamaruzaman Che Mat, managing director said all 17 Ar-Rahnu's X"Change franchise distributed RM121.7 million (US\$40 million) of financing in 2010, and a total of RM24.8 million (US\$8.2 million) in the first two months of this year.

The bank is planning to open another 13 Ar-Rahnu X"Change branches to achieve the target. (F)

Low yields attract investment

MALAYSIA: Yields on Malaysia's government Sukuk are at a 10-week low, as the ringgit rally attracts investment from global investors.

The rate on the 3.941% government note due June 2017 fell eight basis points this year to 3.77%.

Overseas ownership of the country's Sukuk has more than doubled to RM4.5 billion (US\$1.5 billion) this January from last December, the highest level since 2007, according to the central bank, Bank Negara Malaysia. (F)

Nod to bonus shares

PAKISTAN: Meezan Bank's shareholders have approved 15% bonus shares for 2010, which will raise the bank's paid up capital to PKR8 billion (US\$94 million).

The increase will help the bank to meet the State Bank of Pakistan's minimum capital requirement of PKR8 billion (US\$94 million) per annum in advance for 2011. (f)

EUROPE

Retail investment offer

UK: Islamic Bank of Britain has introduced a range of Shariah compliant investments for retail customers through its discretionary portfolio service.

The service will allow customers to invest in shares, commodities, property funds and Sukuk through a number of portfolios.

Sultan Choudhury, its commercial director said the service fills a gap in the UK retail investor market which is currently served by a limited range of ad hoc Islamic products. (f)

Gold selling via ATMs

TURKEY: Kuveyt Türk Participation Bank has started selling gold coins through ATMs.

Customers will be able to buy 1-gram and 2.5-gram gold coins from ATMs at its headquarters in Istanbul.

This service is likely to be expanded to the bank's 180 branches next year. (f)

High yields in assets

UK: Ahli United Bank's UK Student Accommodation Fund has bought Sidney Webb House in London for GBP23.3 million (US\$37.8 million) and Broadcasting Tower in Leeds for GBP14.9 million (US\$24.2 million).

The purchase price on Sidney Webb House reflects a net initial yield of 5.53% while Broadcasting Tower's cost shows a net initial yield of 6.4%. (f)

Joint lawsuit denied

UK: The High Court has ruled to deny European Islamic Investment Bank (EIIB) from adding its US\$78 million claim against Saudi investment company Ahmad Hamad

Algozaibi & Brothers Co to a UK group lawsuit.

Justice Julian Flaux ruled that EIIB knew of the joint claims by HSBC Holdings and five other financiers against Algozaibi in October last year but waited too long to request to join the lawsuit which is scheduled for trial in June.

The dispute is the largest default in Saudi Arabia resulting from the financial crisis, and has total claims of about US\$250 million including — HSBC's US\$85 million, British Arab Commercial Bank's US\$19 million, Arab Banking Corporation's US\$140 million and Credit Agricole's US\$6 million. (f)

Tapping Malaysian cash

UK: Gatehouse Bank is planning to raise GBP50 million (US\$80 million) to invest in high-end residential properties in central London and is hoping to attract Malaysian funds.

Adam Cavanagh, its real estate vice president said the bank is currently in talks with Malaysian institutional investors including the Employees Provident Fund and Permodalan Nasional.

The bank is also looking at Middle Eastern investors.

Cavanagh added that the bank is expected to reap more profits in central London as its housing market value has increased 20%. (f)

GLOBAL

Complete approach needed

GLOBAL: An all-encompassing law should be introduced to regulate the activities of Islamic banks and financial institutions, ensure Shariah compliancy and win investor confidence, according to Muhammad Yousuf Saleem, professor of economics department at the International Islamic University of Malaysia.

Muhammad Yousuf said a substantial law is needed to define Islamic banking products and activities, and the absence of such a law will continue to create discrepancy and dissatisfaction in the industry.

He added that Islamic finance windows at conventional banks are favored only as a transitional step, not as a permanent system,

because it is unclear how these banks separate their transactions and use their funds. (f)

MIDDLE EAST

Debt trading on exchange

QATAR: Qatar Exchange is expected to trade conventional bonds and Sukuk by the second quarter of this year.

Andre Went, its CEO said Qatar Exchange will initially introduce the trading of Qatar riyal-denominated sovereign bonds and Sukuk. Both bonds come with a minimum investment size of QAR10,000 (US\$2,746) for one unit.

They will be followed later by the listing of corporate bonds. (f)

Expansion plans ahead

UAE: Al Hilal Bank earned AED140 million (US\$38.1 million) in net profit in 2010, marking its first annual profit since it began operations in 2008.

The bank, which is wholly owned by the Abu Dhabi government's investment arm Abu Dhabi Investment Council, is also finalizing its next three-year growth strategy.

Mohammad Jamil Berro, its CEO said the plan will include focusing on investment banking, overseas expansion, securing ratings, raising paid up capital of AED2 billion (US\$545 million) and growing its Takaful business. (f)

Oversubscribed by 400%

BAHRAIN: The Central Bank of Bahrain's monthly issue of Sukuk Al-Ijarah was oversubscribed by 400%.

The BHD10 million (US\$26.5 million) issuance subscriptions were BHD68 million (US\$180.3 million).

The expected return on the issue that began on the 24th March 2011 and matures on the 22nd September 2011 is 1.35%. (f)

Islamic fund in the US

QATAR: Dr Sheikh Khalid Thani Al Thani, vice chairman of the Qatari Businessmen Association will announce the launch and
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details of a US based Islamic fund next month. (f)

Rapid banking expansion

SAUDI ARABIA: Banking assets in Saudi Arabia will grow at a compounded annual growth rate of around 18% between 2010 and 2013 due to Islamic banking.

According to a report by RNCOS, a market research and information analysis company, the government's strong involvement and increasing demand for Islamic products have contributed to the development of the country's Islamic banking industry. (f)

Agreement finalized

UAE: Dubai World has signed the final agreement with creditors to restructure its US\$25 billion debt.

Under the agreement, the debt will be paid in two phases.

In the first phase, US\$4.4 billion will be paid over five years and the second phase, US\$10.3 billion in eight years. (f)

Al Tamimi & Co as advisor

JORDAN: Legal firm Al Tamimi & Co has advised Capital Investment & Brokerage, lead manager to the first Jordanian dinar-denominated Sukuk worth JOD85 million (US\$120 million).

The seven-year Sukuk was structured based on the Ijarah Muntahia Bittamleek.

The Sukuk certificates were issued by Al Rajhi Cement-Jordan last month through Al Rajhi Cement Sukuk Company, a special purpose vehicle established in the Cayman Islands.

Al Rajhi Cement will utilize the proceeds for recapitalization and fund its general working capital requirements. (f)

Islamic standardization

SAUDI ARABIA: Saudi Arabia should work towards becoming a hub for Islamic banking and finance and promote standardization of Shariah regulations.

Sheikh Saleh Kamel, chairman of Jeddah Chamber of Commerce and the Federation

of GCC Chambers, said the country should take the lead in unifying the industry by aligning fatwas, establishing cross border Islamic finance authorities and setting up a Shariah rating commission.

Abdullah Sulaiman Al Rajhi, managing director and CEO of Al Rajhi Bank said there are shortcomings in applying regulations because a unified Islamic authority and standards do not exist.

Furthermore, Abdulkareem Abu Alnasr, CEO of National Commercial Bank said the Islamic finance industry's continued strong growth will be hindered if cross border regulation issues are not addressed. (f)

Real estate portfolio

KUWAIT: Kuwait Investment Authority will establish a KWD1 billion (US\$3.6 billion) portfolio to invest in the country's real estate market. The portfolio will focus on commercial and not residential properties.

It will be managed initially by Kuwait Finance House. (f)

Judgment next month

UAE: The verdict for Dubai Islamic Bank's (DIB) US\$500 million fraud case will be heard on the 27th April.

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Lawyers for DIB said in court that the financing would not have been given if not for the approval of two former bank executives on trial.

The ex-employees were charged for accepting false documents and increasing the credit limit for five businessmen. The businessmen were charged for supplying the false documents and bills to obtain financing. (f)

Sale advisor hired

UAE: Abu Dhabi Commercial Bank (ADCB) has engaged Goldman Sachs to advise on the potential sale of a 25% stake in Malaysian bank RHB Capital valued at US\$1.4 billion.

ADCB is expected to decide on the sale within two to three weeks, and is also likely to appoint a second advisor for the sale.

Goldman Sachs was selected from a shortlist of three to four banks including Bank of America Merrill Lynch, CIMB and JPMorgan.

The proposed sale is expected to garner interest from China and other Asian-based banks due to Malaysia's fast growing economy. (f)

(See IFN Report on page 13)

Deadline extended

QATAR: Conventional banks are allowed to operate their Islamic windows until 2012, although they are not permitted to take Islamic deposits, according to Abdullah Saud Al-Thani, governor of the Central Bank of Qatar.

The central bank has given conventional banks until end of the year to present their Islamic operations plans. (f)

More Shariah banks

SAUDI ARABIA: New Saudi Islamic banks will be launched this year, including Al-Kabeer Islamic Bank, said Sheikh Saleh Kamel, chairman of the Jeddah Chamber of Commerce and Industry.

Sheikh Saleh said there are specialized Islamic banks in different countries, but not in Saudi Arabia as banks in the kingdom already deal on the basis of Islamic law and therefore do not see the importance of establishing specialized banks as long as the current banks apply the same rules.

He also said there should be a body for classification of Shariah in the market. (f)

Increasing financial support

BAHRAIN: Bahrain Development Bank has signed an agreement with industrial and trading company Tamkeen to increase the value of its financing scheme to BHD2 million (US\$5.3 million) to support new enterprises from the private sector.

Tamkeen's financing scheme has so far supported around 2,353 prospective and existing businesses from various sectors at a value of more than BHD66 million (US\$175 million) since May 2008. (f)

Mixed results

UAE: The Daman Islamic Fund posted an increase of 0.42% in net asset value to AED98.69 (US\$26.87) last month.

However, the fund dropped -1.58% in the National Bank of Abu Dhabi Islamic Index. (f)

Expansion to Malaysia

UAE: National Bank of Abu Dhabi is planning to establish an Islamic banking unit in Malaysia, after its conventional business starts operations there in the third quarter. (f)

High subscription for Sukuk

BAHRAIN: The Central Bank of Bahrain's monthly issue of Sukuk Al-Salam was oversubscribed by 683%.

The BHD12 million (US\$32 million) issuance which received subscription worth BHD82 million (US\$218 million) carries a maturity of 91 days and an expected return of 1.15%. (f)

Improving transparency

QATAR: The Qatar Central Bank has launched a credit bureau to improve transparency and risk management practices among banks.

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continued...

bureau will provide banks, corporate and financial institutions with credit information to assist them in credit service provisions and reducing their credit risk.

Qatar currently has four Islamic banks and seven commercial banks with Islamic windows which will benefit from the service, in addition to conventional banks. (3)

22% capital hike

SAUDI ARABIA: Saudi Investment Bank has increased its capital by 22% to SAR5.5 billion (US\$1.5 billion) with the issuance of one free share for every 4.5 shares.

The capital increase involved the transfer of SAR1 billion (US\$267 million) from last year's leftover profits.

The Capital Market Authority said it had added the bank's new shares at one share for every 4.5 shares, and adjusted the bank's share price to SAR20.15 (US\$5.37). (3)

Rental charges waived

UAE: Dubai Bank has agreed to waive or fully refund the advanced rental charges for

delayed property projects.

This applies to customers whose Ijarah rate is based on the Dubai Bank base rate, where the applicable rate will be reduced by 1%, effective on the 1st May.

The charges will also include clients linked with the Emirates Interbank Offered Rate (EIBOR)-based facility, where the rates will be amended retroactively from the first rate reset period to align with the applicable Eibor rate along with any mark up. (3)

Banking for ladies

QATAR: International Bank of Qatar has launched a ladies banking package.

The package comes with a current account, a QAR500 (US\$137) incentive credited to the customers' credit card and premium saving accounts. (3)

Modifications to mortgage law

SAUDI ARABIA: The Shura Council, the country's legislative body has approved the amendments for a mortgage draft law in accordance with Islamic laws.

The law covers five aspects — mortgage registration, enforcement, financial leasing, real estate finance, and control of finance

companies. (3)

Fall in Sukuk yield

UAE: The yield on Dubai's Sukuk recorded the highest drop in more than a year last week, leading a rally in Gulf Sukuk, as government-related firms complete debt restructurings and chart better-than-expected earnings.

The rate on Dubai's 6.396% dollar-denominated Sukuk due in November 2014 fell to a record low of 5.59%, taking the weekly decline to 57 basis points.

Average yields on Islamic bonds in the GCC, dropped 36 basis points, the most since last November to 5.5%, according to the HSBC/NASDAQ Dubai GCC US Dollar Sukuk Index. (3)

US\$1 billion Islamic notes

QATAR: Masraf Al Rayan's shareholders have granted approval for the board of directors' plan to issue a US\$1 billion Sukuk in the fourth quarter this year to manage the company's balance sheet more efficiently.

The banks that will manage the sale have not been confirmed.

The company is also planning to buy a stake in an unnamed Saudi bank, said Dr Hussain

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AFRICA

First insurance coverage

KENYA: Takaful Insurance of Africa has launched the first Shariah compliant insurance coverage in the country.

The insurance operator was granted a license from the Insurance Regulator Authority in January. (F)

ASIA

Competency structure

MALAYSIA: The Malaysian Insurance Institute has issued a competency framework for the insurance and Takaful industry.

The framework involves six job categories – underwriting, customer service, claims, management and sales, compliance and insurance broking. It provides a guideline for recruitment, career planning and training in the industry. (F)

MIDDLE EAST

Growth despite downgrade

BAHRAIN: Takaful International sees growth this year, despite the drop in the company's

ratings and the recent increase in cost of re-insuring cover against sabotage and terrorism in Bahrain.

Younis Jamal Al Sayed, its CEO said there is no likelihood of insurance premiums rising as the ratings downgrade were based on the country's sovereign ratings, and should not affect domestic premium rates.

Younis said the downgrade could see the operator lose business from outside Bahrain, but this only accounts for 8% of premiums.

Takaful International achieved growth in the proportion of total insurance contributions for 2010, which amounted to an 8% increase. Insurance contributions were BHD16.2 million (US\$43 million) compared to BHD15 million (US\$39.8 million) in 2009.

Total revenue amounted to BHD8.7 million (US\$23.1 million), up from BHD8.1 million (US\$21.5 million) in 2009, and the profit of insurance operations listed 12% were up to BHD3.26 million (US\$8.65 million), compared to BHD2.91 million (US\$7.72 million) in the same period. (F)

New Saudi insurer

SAUDI ARABIA: Alinma Bank has signed an agreement with five partners to create an insurance firm called Tokio Marine Saudi Arabia.

Alinma signed the deal with Tokio Marine & Nichido Fire Insurance, Sabic Industrial Investments, a unit of Saudi Basic Industries Corporation, Saudi Trading and Distribution Establishment, Saudi Geant and businessman Abdullah Mohammed Abdulaziz Al Romaizan.

Alinma and Tokio Marine & Nichido Fire Insurance will each hold 28.75% in the company which will have capital of SAR200 million (US\$53 million), while Sabic Industrial Investments will hold a 5% stake.

The new insurance firm will float 30% of its shares in an initial public offering after regulatory approval. (F)

Bonus for shareholders

UAE: Dubai Islamic Insurance and Reinsurance Company (Aman) registered a growth of 29% with its insurance portfolio hitting AED611 million (US\$166.3 million) last year.

The company's board of directors also approved the distribution of 7.5% bonus shares for shareholders. (F)

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ASIA

Financially strong



MALAYSIA: Malaysian Rating Corporation has assigned a rating of 'AAAIIS (fg)' to TSH Sukuk Musharakah's RM100 million (US\$33 million) Islamic

medium-term notes program (IMTN). The rating carries a stable outlook.

The assigned rating and outlook are based on the Al-Kafalah guarantee by Danajamin Nasional in relation to the IMTN program. (f)

Rating unchanged



MALAYSIA: RAM Rating Services has maintained Syarikat Pengeluar Air Sungai Selangor's

(SPLASH) RM1.4 billion (US\$464.7 million) Bai Bithaman Ajil debt securities issuance facility's (BaIDs) 'BBB3' rating on the Rating Watch with a negative outlook.

The move is based on the payments from Syarikat Bekalan Air Selangor to SPLASH, which will be reduced from 45% to 42% based on the invoiced amount. This is expected to reduce SPLASH's current average monthly cash receipts of RM28 million (US\$9.25 million) by about RM2 million (US\$660,501).

While not substantial in terms of SPLASH's monthly net operating cashflow, the reduction will exert more pressure on its already strained liquidity profile. (f)

No longer graded



MALAYSIA: Malaysia Rating Corporation (MARC) has withdrawn its ratings of 'MARC-1ID/AID' on Tomei Consolidated's RM100

million (US\$33 million) Islamic commercial paper/medium term notes program, following confirmation that the company has redeemed and cancelled the notes this month. (f)

Weak position



MALAYSIA: RAM Rating Services has lifted the negative Rating Watch on Musteq Hydro's RM108 million (US\$36 million) Bai Bithaman Ajil fixed rate serial bonds.

RAM has also downgraded the Sukuk rating from 'A2' to 'A3' with a negative outlook.

The rating is based on the firm's weakened debt servicing ability, due to the combined effects of past cumulative interest payments on shareholders' advances and revision of operations, maintenance and management. (f)

Off the list



MALAYSIA: Malaysian Rating Corporation (MARC) has withdrawn its ratings of 'MARC-1ID(cg)'/AA-ID(cg)' on Harum Intisari's RM300 million

(US\$99 million) Murabahah commercial paper/medium term notes program, following the final RM100 million redemption (US\$33 million) of outstanding notes this month. (f)

Satisfactory rank



PAKISTAN: The Pakistan Credit Rating Agency has maintained the stability rating of KASB Islamic

Opportunity Fund at 'BBB(f)'.

The rating is based on the fund's adequate capacity in managing relative stability in returns and high risk exposure. (f)

Bleak future



MALAYSIA: RAM Rating Services has revised the outlook on the long-term rating of Formis Resources' RM80 million (US\$26 million) Murabahah underwritten notes

issuance facility/Islamic medium-term notes facility (2005/2012), from stable to negative.

The outlook is based on the company's persistently weak financials from the losses of its subsidiary, ISS Consulting Solutions. (f)

Promising grade



MALAYSIA: Malaysian Rating Corporation has assigned a rating of 'AAAIIS(fg)' to 1 Warisan's RM170 million (US\$56 million) seven-year

Islamic medium-term notes (IMTN) program with a stable outlook.

1 Warisan is a special purpose funding vehicle created to facilitate the issuance of

the notes on behalf of property developer Gema Padu.

The rating and outlook are based on Al-Kafalah guarantee by Danajamin Nasional in relation to the IMTN program. (f)

Positive prospects



PAKISTAN: The Pakistan Credit Rating Agency has assigned a short-term four star ranking to Askari Islamic Asset Allocation Fund, based on the

performance for the period ending on the 31st December 2010. (f)

MIDDLE EAST

Grades withdrawn



UAE: Fitch Ratings has withdrawn Dubai Electricity and Water Authority's (DEWA) long-term issuer default

rating (IDR) at 'BBB-' with negative outlook, short-term IDR at 'F3', senior unsecured rating at 'BBB-' and DEWA Funding's AED3.2 billion (US\$871 million) Sukuk rated at 'BBB-'.

The withdrawal was based on a lack of information for the assessment of Dubai. (f)

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SECURITIES COMMISSION OF MALAYSIA

MALAYSIA: The Securities Commission of Malaysia has extended Zarinah Anwar's tenure as chairman for one year, effective from the 1st April 2011. (👉)

AJMAN BANK

UAE: Ajman Bank has appointed Asad Ahmed Batla as senior vice president-head of retail banking.

Asad was previously head of consumer banking at Noor Islamic Bank. (👉)

ABU DHABI COMMERCIAL BANK

UAE: Abu Dhabi Commercial Bank (ADCB) has appointed Amr Saad Al Menhali as head of Islamic banking, replacing Mufaddal Khumri.

Amr Saad was previously ADCB's senior vice president and head of retail credit. (👉)

BARWA REAL ESTATE COMPANY

QATAR: Barwa Real Estate Company has appointed Dr Mohammed Asad Al Emadi as its new group CEO.

He was previously CEO of National Leasing Holding. (👉)

PUBLIC ISLAMIC BANK

MALAYSIA: Public Islamic Bank has appointed Tang Wing Chew as an independent non-executive director.

Tang is also currently the independent non-executive director of Cagamas and Cagamas Holdings. (👉)

Correction: Following a report in the 2nd March 2011 issue of *Islamic Finance news*, we would like to rectify that Muzaffar Hisham was recently appointed as chief operating officer and not chief executive officer of Maybank Islamic.

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Has Tamweel acquisition added value to Dubai Islamic Bank?

It has been six months since Dubai Islamic Bank (DIB) increased its 21% stake in the Islamic home financier, Tamweel to 58%. It may be too early to tell whether the acquisition has added value to DIB's bottom line but analysts say the move could contribute to the bank's steady growth in the long-term.

DIB, which co-founded Tamweel in 2004, raised its interest in the Islamic home financier in September 2010 by acquiring 88.2 million shares from Dubai Capital Group (Dubai Capital), 209 million shares from Istithmar World (Istithmar) and 42.3 million from Dubai Financial Market (DFM). The purchase price was never disclosed.

After the acquisition, Tamweel shareholders replaced its entire board of directors and voted in seven new members, four of whom are DIB senior management. DIB also appointed its CEO, Ali Abulla AlHami as chairman of Tamweel's board of directors. Shortly after formation of the new board, Wasim Saifi, CEO of Tamweel resigned and was replaced by Varun Sood as acting CEO, formerly head of home finance at Tamweel.

“Although it is too early to assess Tamweel’s value to DIB, generally the market for home financing in the UAE has lots of scope for growth”

In a response to *Islamic Finance news*, Raj Madha, a banking analyst who covers the MENA region at Rasmala Investment Bank reckoned the jury is still out on whether the takeover of Tamweel has added value to DIB's business.

“We still do not know how much was paid for the Tamweel stake and we still lack substantial clarity on the asset structure. However it is likely that DIB already had significant financing outstanding to Tamweel, so bringing it in-house and potentially at a discount, could have been a sensible move,” he said.

DIB and Tamweel were among the financiers who were at the center of the 2008 Middle East debt crisis. Both began showing cracks in their financials in the fourth quarter of 2008 due to their exposure to Dubai real estate. DIB's takeover of Tamweel was the culmination of findings of a UAE government steering committee formed to review the UAE's mortgage and real estate market.

Since then, DIB and Tamweel have gradually brought their businesses back on track, reporting net profits of AED806 million (US\$219.4 million) and AED26 million (US\$7.1 million) respectively in 2010.

However, DIB is currently involved in a fraud case connected to its foreclosure of 'The Plantation' development in mega entertainment complex Dubailand. In this US\$500 million case, five individuals are charged for supplying false documents to obtain financing from DIB for the project and two former employees of DIB are charged for accepting

the documents and approving the financing. The judgment will be announced on the 27th April.

Meanwhile, although Tamweel has clearly benefited from the increased involvement of DIB especially from being able to tap DIB's excess liquidity, it is harder to say how much DIB has gained from its takeover of Tamweel. One reason for this is that DIB has not yet fully disclosed its 2010 financials, which is expected in the next two weeks. Nevertheless it reported higher provisions of AED864 million (US\$235 million) last year compared to AED818 million (US\$222.7 million) in 2009.

On the other hand Tamweel, which froze new mortgage financing in November 2008, was able to resume financing home purchases following DIB's takeover in 2010. It has also improved its balance sheet position, reducing provisions by 35% from 2009 to AED157.4 million (US\$43 million) in 2010.

Another factor which makes it difficult to determine the value add of the acquisition is its undisclosed purchase price. Tamweel's shares were suspended from trading on the Dubai Financial Market since late November 2008 following an announcement that the UAE government would merge it with Amlak Finance, another mortgage provider. The merger was shelved upon DIB's takeover.

Tamweel's shares were last traded at AED0.99 (US\$0.27). Raj Madha said Tamweel is believed to be worth up to AED1 billion (US\$272 million) at the time of DIB's acquisition, with DIB likely to have paid less than that amount.

It should be noted that Dubai Capital, Istithmar and DFM, from whom DIB acquired its 58% stake in Tamweel, were also impacted by the Dubai debt crisis and would probably have agreed to a discounted price in an effort to raise cash quickly.

Despite the lingering questions regarding the DIB-Tamweel deal, analysts do see further growth in the UAE real estate market which will eventually translate into better profits for both DIB and Tamweel. Khalid Howladar, senior credit officer covering GCC banks at Moody's Investors Service said although it is too early to assess Tamweel's value to DIB, generally the market for home financing in the UAE has “lots of scope for growth.”

Khalid told *Islamic Finance news* that while the residential real estate market collapse had affected demand, the market for home financing will resume growth once prices start to recover. “Property secured lending is generally less risky and the margins are relatively high given the immaturity of the market and limited competition. In the long-term as long as they (DIB and Tamweel) ensure quality underwriting and effective risk management, it should be a strong and profitable business,” he added. ☺

Fajr Capital's first investment raises questions

On the 23rd March Fajr Capital announced its first investment since it debuted in October 2009. Unlike the company's launch which was carried out with much fanfare, Fajr Capital's hushed investment in Bank of Islam Brunei Darussalam (BIBD) has left some questions unanswered.

continued...

For one, the size and value of Fajr Capital's investment has been kept under wraps. The only information available is that Fajr Capital is now BIBD's third largest shareholder with a substantial minority stake. This could mean anything from 5% to 49%. BIBD's other major shareholders are Brunei's ministry of finance which has a 40% stake and Yayasan Sultan Haji Hassanal Bolkiah which holds a 25% interest.

According to Javed Ahmad, managing director at BIBD, the size of the transaction was undisclosed because BIBD is a private company. Speaking to *Islamic Finance news* he said, the deal was a private arrangement between BIBD shareholders and Fajr Capital in which BIBD had not issued new shares to the investment company.

“With its well experienced management team and deep rooted relationships in the Gulf and Asia, Fajr Capital’s shareholding can provide international connectivity for BIBD”

The ‘private arrangement’ between BIBD shareholders and Fajr Capital illustrates the investment firm’s existing relationship with the Brunei government, given the shareholding of the Brunei Investment Agency in Fajr Capital. Furthermore, Javed is currently on secondment to BIBD from his position as managing director of Fajr Capital. Javed, a Bruneian, said he was appointed by BIBD three years ago. In fact, Fajr Capital was in operations in 2007, two years before it was launched.

Meanwhile, the other shareholders of Fajr Capital include HSBC Group, Abu Dhabi Investment Council, Malaysia’s Khazanah Nasional and Saudi Arabia’s Mohammed and Abdullah Al Subeaei Investment Company.

Fajr Capital’s management team and board of directors also boast recognized Islamic finance practitioners such as its chairman Sheikh Ebrahim Al-Khalifa who is also chairman of AAOIFI, and Iqbal Khan who is the company’s CEO. Iqbal is known for setting up HSBC Amanah and helped establish Meezan Bank, Citi Islamic Investment Bank and the Islamic Development Bank Infrastructure Fund.

With its far reaching network of shareholders and top executives, what has taken Fajr Capital this long to make its first investment? While valuations may not be cheap, there do exist opportunities for mergers and acquisitions in the banking sector especially in Asia.

According to a banking analyst at a bank-backed research house, banks in Indonesia provide opportunities for strong growth. Although expensive at 2.5 times price-to-book value, banks there offer a return on equity of more than 20%.

In addition, with a US\$600 million capital base and backed by shareholders who could inject more capital into the company, Fajr Capital is well positioned to undertake small and mid-sized banking acquisitions. For example, Malaysia’s Affin Bank last year acquired an 80% stake in Bank Ina Perdana in Indonesia for US\$45 million.

Perhaps Fajr Capital is taking a cautious stance when making investments and does not want to enter into hasty acquisitions. Its negotiations for the stake in BIBD reportedly dates back to June 2010.

It however appears to have identified promising returns in its BIBD investment. In a statement announcing the deal, Iqbal Khan said Brunei provided an attractive investment environment due to its prosperous and stable economy. Islamic financial services also represent around 40% of the market there.

Apart from taking an undisclosed stake in BIBD, Fajr Capital’s investment in the bank also grants it management responsibilities. BIBD’s management now includes representatives from Fajr Capital who are involved in the bank’s information technology, corporate banking and consumer banking divisions.

Fajr Capital is also expected to contribute to BIBD’s business development. “With its well experienced management team and deep rooted relationships in the Gulf and Asia, Fajr Capital’s shareholding can provide international connectivity for BIBD. We are looking at closing some trade services and treasury transactions in the next few weeks. Again however, these are not public deals,” added Javed.

As for BIBD’s operations, the bank which has a capital base of BND800 million (US\$633.3 million) is eyeing opportunities to expand its presence outside Brunei. Javed said BIBD is looking to acquire fully Islamic financial institutions or banks that can be converted into Islamic banks, located either in Asia or the GCC.

Javed further commented, “The bank is substantially over capitalized and we must use this effectively. We have been looking at opportunities but have not found any yet. Our entry into a new market would have to be somewhere BIBD would have a role to play and at the same time, we have to make sure the size of any acquisition is not too large being the modest sized bank that we are,”

On the outlook for BIBD’s business this year, the bank is expected to perform well amid the challenging backdrop of the global banking scene. According to Javed drivers of growth for the year will be the bank’s fee based business, trade and treasury services.⁽²⁾

Abu Dhabi Commercial Bank could be ready to realize investment in RHB Capital

It has recently emerged that Abu Dhabi Commercial Bank (ADCB) is looking to sell its 25% stake in Malaysian banking group RHB Capital (RHB Cap). The bank is said to have hired Goldman Sachs to advise on the potential sale, and may appoint a second advisor for the sale which could see interest from Chinese and Middle Eastern banks.

ADCB has been rumored to be interested in selling its stake for some time now. According to a source close to the matter, the bank is still feeling the effects of the Middle Eastern debt fallout and hence wants to refocus its efforts back to its home market.

Speaking to *Islamic Finance news*, the source also said the issue of pricing could be another factor for ADCB wanting to sell out. At its close on the 29th March, RHB Cap traded at RM8.40 (US\$2.77) compared to the RM7.20 (US\$2.38) price the stock was trading at when ADCB

continued...

entered as a shareholder in 2008. ADCB paid RM3.9 billion (US\$1.3 billion) for the 25% stake it owns in RHB Cap.

According to ADCB's 2010 financial report, its investment in RHB Cap was worth AED5.2 billion (US\$1.4 billion) last year. In comparison the investment was valued at AED4.3 billion (US\$1.2 billion) in 2008. ADCB has since made a US\$200 million, or 16.7%, return on its acquisition.

“Another possible reason for ADCB wanting to sell its stake in RHB Cap is due to issues that may arise from the Abu Dhabi government’s dual presence in Malaysian banking”

In a recent research note, Shuaa Capital stated, “We estimate RHB Cap’s contribution stood at around 5% to 6% of ADCB’s net operating revenues by the end of 2010. While this sale would deprive ADCB from a growing revenue stream, it would also help support the bank’s capital adequacy ratio (CAR) which could increase from 16.7% currently to above 20%. The increased capital would, in turn, allow ADCB to support its organic growth and raise wholesale funding.

Although ADCB is well capitalized with a total equity of AED19.6 billion (US\$5.3 billion) in 2010, the bank could likely put any profit it receives from the potential sale of RHB Cap to good use. After being impacted by the debt crisis in Dubai, the bank turned its financials around last year, reporting a net profit of AED390.6 million (US\$106.3 million) compared to a net loss of AED513 million (US\$134 million) in 2009. It has also improved impairment provisions by 12% from 2009 to AED3.3 billion (US\$898 million) in 2010.

Islamic banking at ADCB is managed under the ADCB Meethaq brand, comprising Islamic Banking Department a business unit of ADCB, and Abu Dhabi Commercial Islamic Finance a 100% wholly owned

subsidiary of ADCB. Total Islamic financing for 2010 reached AED3.3 billion (US\$898 million), raised from AED1.5 billion (US\$408 million) in 2009. Income from Islamic financing and Islamic product related deposits hit AED217.5 million (US\$59.2 million) and AED15 billion (US\$4.1 billion) respectively in 2010, increased from AED53 million (US\$14.4 million) and AED7.3 billion (US\$2 billion).

However, ADCB is still making specific provisions for its exposure to Dubai World, which amounted to AED1.1 billion (US\$300 million) last year. It also continued to make specific provisions worth AED554 million (US\$150.8 million) for its exposure to the Saad Group and Ahmad Hamad Algozaibi & Brothers. The two Saudi companies borrowed heavily from banks in the GCC until it emerged in 2009 they could not repay their debt. The Saad and Algozaibi groups reportedly owed Gulf banks a total of US\$22 billion as at December 2010.

Meanwhile, another possible reason for ADCB wanting to sell its stake in RHB Cap is due to issues that may arise from the Abu Dhabi government’s dual presence in Malaysian banking. In addition to its ownership of ADCB, the government also owns the National Bank of Abu Dhabi (NBAD) which was awarded a Malaysian commercial banking license in June last year. NBAD is looking to offer Islamic banking services once it opens its doors in Malaysia later this year.

Should ADCB’s stake sale materialize, contributions from RHB Cap to ADCB’s bottom line will likely be missed. In 2010, ADCB’s profit from its associates and other income rose 30% from 2009 to AED380 million (US\$103.5 million). ADCB said the income was boosted by contributions from RHB Cap.

A likely candidate for replacing the revenue stream from RHB Cap is ADCB’s October 2010 purchase of the UAE retail banking, wealth management and small and middle size businesses of The Royal Bank of Scotland (RBS). ADCB paid AED169 million (US\$46 million) for the acquisition.

As at December 2010, the new business already contributed AED113 million (US\$31 million) in net operating income and AED21.7 million (US\$5.9 million) in profit to ADCB. With promising numbers, ADCB could well have been hedging its bets by acquiring the new business from RBS before proceeding with the RHB Cap stake sale. (2)

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Recent Developments in Islamic Finance in Kazakhstan

By Timur Omarov

The world market for Islamic financial services has been growing considerably in recent years.

The development of Islamic finance and its stability during the global financial crisis, growing demand for Islamic financial products, and an increasing need for the investments to the real sector have created favorable conditions for the industry's development in Kazakhstan.

Today Kazakhstan takes the leading role among the Commonwealth of Independent States (CIS) and the Central Asian region in the development of Islamic finance.

The legislation on Islamic finance was adopted in Kazakhstan in 2009 which covers Islamic banking, the capital market, and investment funds.

Recently Islamic finance has been getting a much needed backing from the government within the boundaries of the forced industrialization and diversification of the economy, and implementation of the strategic target set by the president on establishing the Regional Islamic financial center in Almaty by 2020.

A lot of work has been done in relation to enhancement of legislation and the taxation basis for Sukuk issuance (in accordance with the experience of Malaysia, Bahrain and other countries). The amendments that will be introduced to the legislation are now being discussed in parliament.

These amendments will allow government bodies, as well as the legal entities as residents of Kazakhstan to issue Sukuk. The issuance of the first sovereign Sukuk is seen as a priority as it will help not only cover the budget deficit but also set the necessary benchmark for corporate issuers.

There is also a greater need to address the issues of banking legislation. The first Islamic bank, Al Hilal Bank, in Kazakhstan has identified some difficulties in the bank's operations. In order to solve these issues, the Agency of the Republic of Kazakhstan on regulation of activities of the Regional Financial Centre of Almaty city (RFCA Agency) together with other government bodies are organizing meetings and workshops on a regular basis.

Another important dimension is the development of Takaful. At the moment there is a need to create the legislative base for Takaful in the country. International Takaful experts will be attracted to help develop the comprehensive Takaful legislation.

It is necessary to acknowledge that a lot of initiatives are being carried out in enhancing the literacy of government officials, regulators, parliament deputies, and the public on the basics of Islamic finance. A specific seminar for students and university lecturers and for the media representatives were held in January and February this year.

In March, the round table for the Mazhilis deputies who were very keen on getting insights on Islamic finance was organized and there are future plans to organize such a seminar for the deputies of Senate.

The Kazakhstan Islamic Finance Conference (KIFC 2011) held in March in Astana provided another dimension to the development of Islamic finance and created a sound platform for key stakeholders to express their views and share their experience on the subject.

The main goal of the conference was to discuss the development issues of Islamic capital markets in Kazakhstan and the CIS region and boost investment activities in Kazakhstan through the adoption of Islamic financial instruments, which in turn will help diversify Kazakhstan's economy and attract additional foreign sources of funding.

“Kazakhstan can be identified as the Islamic finance leader in the region and serve as an example for the CIS countries in terms of introducing the principles and adopting legislation in Islamic finance”

Today, Kazakhstan can be identified as the Islamic finance leader in the region and serve as an example for the CIS countries in terms of introducing the principles and adopting legislation in Islamic finance.

One of the culminating events for Kazakhstan in 2011 will be the 7th World Islamic Economic Forum (WIEF) to be held in Central Asia for the first time. WIEF is a world class business platform showcasing business opportunities in the Muslim world.

Renowned worldwide as a regular gathering for the world leaders and top CEOs, the WIEF is also a platform attracting thousands of small and medium businesses from Asia, Africa and the Middle East and building bridges of business between different nations and communities. The previous WIEF was held in Malaysia – the leader in Islamic finance development.

Thus Kazakhstan, together with the chairmanship in the Organization of the Islamic Conference in 2011, has a great opportunity to establish itself and present its credentials in becoming a truly regional Islamic finance center. ☺

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Timur Omarov is the head of Islamic finance of the RFCA agency working on the development of the industry. Islamic finance is one of the key priorities of the agency, and has set its sights on making Kazakhstan the regional Islamic finance centre by 2020.

Tatarstan: The Islamic Finance and Business Driver in Russia

By Renat Lotfullin

For the last five years Islamic finance and banking has become a popular topic among bankers and academic scholars.

Although Islamic banking cannot be fully implemented under Russian legislation, there are opportunities to use Islamic finance instruments for business cooperation between countries.

Tatarstan, a republic within the Russian Federation has become a pioneer in establishing Islamic finance with roots set up for social and economic cooperation between the Muslim world and Russia. As one of the most economically and industrially developed region, Tatarstan has built close ties with the Asian and Gulf countries.

The objective of this strategy is to support the gradual implementation of Islamic finance techniques and generate them into investment projects and business activities.

“The government of the republic fully supports the activities relating to the development of Islamic finance in the region”

The government of the republic fully supports the activities relating to the development of Islamic finance in the region. Tatarstan's president Rustam Minnikhanov said the country's policy is to develop small and medium enterprises in the region, with Islamic finance as one of the important areas. Minnikhanov has been very much the driving force in promoting Islamic finance in Tatarstan.

In 2009, the first Kazan Summit dedicated to Islamic finance and business was held in Kazan, capital of Tatarstan. It was a unique event which saw representatives of different business and finance entities and Shariah scholars from Russia, Commonwealth of Independent States (CIS), the Middle East and South Asia come together with the opportunity to establish international business contacts and learn prospects of making business within the framework of the Islamic economic model.

The summit became a platform for mutual public discussions on the operations of Islamic financial systems, development of an international economic relationship between Russia and Muslim countries and cooperation in the sphere of direct investments in private sectors.

World renowned Islamic economics and finance experts from several countries attended the summit. Among them were former prime minister of Malaysia Dr Mahathir Mohamad and counselor of the OIC's secretary general, Nabika Diallo.

Within the summit, the Kazan Halal international trade fair was also held. The trade fair pursued the goal of gathering Russian and international business Halal producers in one place.

As host of the untapped Russian Halal market, foreign participants had the unique opportunity to establish contacts with consumers and retailers, as well as access the export and import perspectives. Kazan Halal opened a new direction for the development of Islamic finance in the country.

The formation of Tatarstan International Investment Company (TIIC) was announced during the Kazan Summit in 2009. TIIC was incorporated in 2010, and became the first investment company in Russia. The Islamic Development Bank, Foras International Investments, AmanahRaya Investment Bank and other foreign and local companies participated in TIIC.

The main objective of TIIC is to look for economically feasible, Shariah compliant projects, prepare the initial documents and offer these projects to investors for consideration.

Investment initiatives that were announced in these summits have already been carried out. Thus, Kazan Halal Hub established jointly with Malaysian partners was launched in 2010. Halal Hub is a distribution center of products manufactured in accordance with the Shariah, in compliance with all the requirements for the logistics of Halal products.

In 2010, Yumart Finance and Company was founded by a group of Russian Muslims in Kazan. Yumart Finance and Company is an Islamic financial company – a limited liability partnership based on the principles of Shariah. Yumart provides Islamic finance services based on Murabahah and Ijarah.

This year, the Kazan Sukuk conference was hosted on the 24th March in Kazan. This event was focused on current Sukuk projects structured in collaboration between government of Tatarstan and the Islamic investment banks consortium.

The conference held practical discussions on Sukuk issuance, the role of Sukuk in promoting the stability of Islamic finance, and Sukuk as an alternative source of infrastructure funding and development in Russia.

The upcoming Kazan Summit 2011 is organized by the Islamic Business and Finance Development Foundation under the patronage of the government of Tatarstan. The main goal of this summit is to create favorable conditions for the successful and mutually beneficial cooperation with investors from Muslim countries and investment potential in Tatarstan and Russia. ☺

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IFC Linova is one the first companies in Russia and CIS countries to carry out activities in the area of Islamic finance. The main objective of IFC Linova is to provide quality consulting services in Islamic finance – development of Islamic financial products based on local legislation, development of business models for financial institutions to operate in accordance with Islamic principles in the Russian Federation and CIS countries.

Islamic Securities and Securitization

By Hesham Youssef

The use of Sukuk and asset securitizations to access the financing side of western capital markets, and as a backbone element in the development of Islamic capital markets, is still one of the fastest growing areas in Islamic finance.

Most issuances to date have been ultimately structured upon a sovereign credit. However, the use of Sukuk is rapidly expanding into other areas, including –

- (a) project, infrastructure and real estate financings
- (b) corporate financings
- (c) investment funds of all types
- (d) true asset securitizations

In an attempt to recover from the liquidity crisis and global recession, governments need to boost their markets and inject funds for their economies especially infrastructure projects. However, the way forward is not just with the Islamic structure, but with the risk profile and security structure selected.

It is a big mistake to believe that Islamic banks (IB) were not impacted by the real estate crash and its domino effect. IB balance sheets comprise of asset-based transactions, which are neither concentrated industry wise (real estate) nor geography wise (the US/Dubai). Those banks with such concentration were definitely impacted even if their structures were asset-backed by the value of current properties. It is mainly the risk management function that refrained and protected banks from this real estate crash, not only the nature of Islamic structure.

The Islamic banking concept promotes Sukuk as it is a way of development and manufacturing, which means highlighting the risk taking aspect of Shariah. Our problem is that we just Islamize the conventional products, by eliminating the interest or riba portion of the products but not embedding the Islamic economic spirit. That being said, banks need to take real risks in their transactions and not to avoid/shift the risk onto the issuer. We have to mitigate risk as part of our Shariah due diligence and not totally avoid it.

Mitigation in structuring Sukuk should be controlled through three aspects – management, finance and security (asset-backed). This will enable possession, operation and financial indebtedness in case of default, where the bank can immediately step in for restructuring and future recovery.

One good example is in Malaysia, where Islamic banks are prevented from placing deposits with conventional banks. By doing so they encourage IBs to take the lead in innovating other ways to utilize their funds and hence tolerate risk. Malaysia therefore has the highest Sukuk issuance and tradability. I hope the introduction of commodity Murabahah does not impact the secondary Sukuk Malaysian market.

While there is demand everywhere, supply is the main issue. The West, especially North America, require many infrastructure developments and projects. These projects are shelved due to lack of funding. This is where Sukuk and securitization can be of great benefit. However, the

lack of awareness and absence of support for international Islamic banks are some of the obstacles to penetrating such markets.

Asset securitization

Lease companies grow by financing more and more leases. The need for continuous funding is always an acute problem as corporate balance sheets get stretched and conventional funders press for reduced leverage.

Traditional sources of financing usually place restrictions on the amount of funds available as well as the leverage that a lessor may apply to its balance sheet. The result is often a slowdown of a lessor's growth and missed expansion opportunities.

Securitization deals effectively with both these issues. Lessors have found that securitization provides an alternate source of funds but does not create a negative impact on their balance sheet. By moving the assets off the balance sheet, the lessor improves its leverage ratios as well as its return on equity, as income from the securitized assets is recorded on the income statement. Moreover, a kicker default guarantee of the first 3% could also be negotiated.

Of equal importance is the availability of an alternate source of funding. This flexibility allows lessors to take advantage of market conditions to lower funding costs. It also provides a degree of independence from their traditional sources of funding.

Residential Sukuk could be another way for penetrating the North American markets. It is a high priority for the western communities, as most of them already have conventional mortgage. This is based on the true diminishing equity structure where the bank and the client own the property.

To avoid the current issues of credit, the following criteria will be followed:

- An average beacon score of 700 points (only 19% of the population);
- Minimum total debt service/gross debt service ratios of 40% and 30% respectively;
- Proof of income for a minimum of two years;
- Mandatory real estate appraisal by a certified Canadian Real Estate Association appraiser; and
- 80% loan to value ratio, that is, a 20% down payment by customer.

Having said that, we need to highlight the following legal issues:

1. Capital tax – Securitization enables corporations to sell their assets to a trust, reducing their capital tax liability and repaying their corresponding debts. As trusts are not subject to capital tax, trusts are the preferred forms of special purpose vehicles (SPVs) in securitization deals.

2. Withholding tax – The Canadian federal government imposes a withholding tax (25%, although typically reduced under applicable tax conventions to 10%) on interest paid by a Canadian resident to a non-

continued...

Islamic Securities and Securitization (continued)

resident of Canada. From January, 2008 the withholding tax on cross border interest payments was eliminated.

This had a twofold implication –

- more asset classes could be transferred to non-Canadian SPVs
- securities issued by SPVs could be offered to non-residents

Federal capital taxes and most provincial capital taxes have been eliminated. This would provide major business opportunities for foreign institutional investors in the Canadian cross border securitization market.

3. True sale – The question of true sale and consolidation of the assets of the SPV with that of the originator has been a concern in most securitization transactions.

Another proposed structure will be the first North American Stock Exchange listed Real Estate Investment Sukuk (REIS) invested in a diversified pool of professionally managed real estate financings and property operated 100% on a Shariah compliant basis.

With more than US\$20 million in equity capital, the REIS could be dual listed on the Toronto Stock Exchange and NASDAQ and with US\$50 million in equity capital, the REIS could be dual listed on the Toronto Stock Exchange, New York Stock Exchange and NASDAQ Dubai.

With sufficient structure and leverage, the REIS should be able to have an above market yield of 8% to 10% annual return, which exceeds the REIT benchmark of 6% in the US. Therefore, the shares of the REIS should appreciate from US\$10 per share upward to between US\$13 and US\$16 per share or more.

Therefore, the initial investors will benefit from a permanent increase in value of the company each time an investor swaps their income producing real estate for shares in the company that trade at a significant premium to book value per share which initially will be US\$10 per share.

As the yield on newly acquired assets rises with efficient capital restructuring of the newly acquired assets, the shares should continue to rise higher over time, creating a positive upward spiral, what is called “reflexivity”.

This would also apply to sovereign financing especially infrastructure projects undertaken by municipalities and provincials authorities. The issues can be summarized in size and pricing. The minimum size of transaction should be US\$500 million. It is to be noted that Canadian banks have no experience and would very much resist participation.

The Office of the Superintendent of Financial Institutions Canada, for example has been following this industry for a while and has gained substantial knowledge. At least three applications from Islamic banks have been submitted since 2008, yet no clear decision has been made. Issuing a sovereign Sukuk would definitely help the cause. (P)

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Hesham Youssef has more than 20 years of banking and finance experience with special dedication in Islamic banking.

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Malaysia Bears the Roots and New Shoots of the Sukuk Market

By Paul-Henri Pruvost

After two turbulent years, the Sukuk market is back on track, with future market growth re-centering on its historical engine and mainstay, Malaysia.

Sukuk issuance touched a record high of US\$51.2 billion in 2010 – including those issued and matured that same year – outstripping the previous peak in 2007 by 34%. By mid-February 2011, even those 2010 levels were being given a run for their money, with more than US\$16 billion of Sukuk already issued since the beginning of the year. This amount includes US\$9 billion by the Qatar Central Bank, a US\$125 million debut Sukuk by the Central Bank of Yemen (which has plans to issue US\$500 million more this year), and the bulk of the remainder by Malaysian sovereign entities.

Such a strong start seems to augur well for the full year, particularly since issuers from about 35 countries from all continents save South America have announced their intention to issue Sukuk. The pipeline of rumored, announced, delayed, or already closed Sukuk stood at more than US\$35 billion, and about half of those had no stated amount, which suggests the figure is significantly higher.

Western countries made some headway into the Sukuk market during the global crisis, but they are not expected to catch up with Asia and the Gulf in the medium term. The Sukuk market is still heavily weighted toward only a few issuing countries however, and Malaysia, Qatar, and the UAE are expected to account for about two-thirds of 2011 issuance.

A huge 78% of all sovereign and quasi-sovereign issuances in 2010 – and 63% of cumulative amounts over 1996 to 2010 – originated from Malaysia. The increase in non-Malaysian issuers over 2003-2008 (see chart 2) mainly stems from large, one-off Sukuk from a relatively limited set of issuers and countries at periods of high international

liquidity. The UAE based issuers represented the bulk of non-Malaysian Sukuk in 2006-2008.

Chart 2 – Sukuk issuance by country 1996-2010 (US\$ million)

	Bahrain	Indonesia	Malaysia	Saudi Arabia	UAE	Others
1996	0	0	771	0	0	0
1997	0	0	1090	0	0	0
1998	0	0	0	0	0	0
1999	0	0	227	0	0	0
2000	0	0	1037	0	0	0
2001	275	0	2451	0	0	0
2002	500	19.3	3459	0	0	0
2003	855	62.2	3554	400	0	700
2004	729	91.8	3220	26.1	1165	129
2005	1317	71.6	7873	500	950	1048
2006	828	22	10747	818	8755	2121
2007	1065	135	18411	5716	10807.5	2073
2008	700	696	9863	1873	5300.2	1141
2009	1564	1765	22124	3110	3330.6	1540
2010	700	3081	39813	3003	1075.4	3612

Source: Standard & Poor's. Compared with previous publications, the data includes Sukuk issued in a given year, as well as Sukuk that have matured.

Sovereign issuers keep Sukuk market busy

On a cumulative basis over the 1996-2010 period, sovereigns and corporates shared the issuer top spot, with 53% and 41% of Sukuk, respectively. But since mid-2008, this has tipped far more in

continued...

Chart 1 – Global Sukuk issuance 1996-2010

Originator	Sector	Date of Rating	Amount (US\$ million)
CBB International Sukuk Company	Governments	18 th March 2008	350
CBB International Sukuk Company (No 2)	Governments	8 th July 2009	750
DP World Sukuk	Corporates	27 th Jun 2007	1,500
Dar Al Arkan International Sukuk Company II	Corporates; Structured Finance	20 th January 2010	450
Dubai Sukuk Centre	Corporates; Structured Finance	25 th May 2007	1,250
Emaar Sukuk	Corporates; Structured Finance	7 th April 2010	2,000
GE Capital Sukuk	Financial Institutions	14 th December 2009	500
JAFZ Sukuk	Corporates; Structured Finance	8 th November 2007	2,043
1Malaysia Sukuk Global	Governments	7 th Jun 2010	1,250
MBB Sukuk	Financial Institutions	11 th April 2007	300
Nomura Sukuk	Financial Institutions	13 th July 2010	100
PETRONAS Global Sukuk	Corporates	28 th July 2009	1,500
Sukuk Funding (No 2)	Corporates; Structured Finance	22 nd May 2008	1,013
TDIC (Tourism Development & Investment Co – Abu Dhabi) Sukuk	Governments	1 st July 2009	1,450
Total			14,455

Source: Standard & Poor's. Data and ratings on the 28th February 2011. The above list only includes Sukuk still outstanding.

Malaysia Bears the Roots and New Shoots of the Sukuk Market (continued)

favor of the sovereigns as available liquidity dried up and corporates, including financial institutions, found limited opportunities. Only when the global economy shows signs of long-term stability will we likely see the return of the privately owned corporate companies to Sukuk.

Chart 3 – Sukuk issuance by issuer type 1996-2010 (%)

	Financial institutions	Corporates	Sovereign & quasi-sovereign
1996	0	100	0
1997	0	0	100
1998	0	0	0
1999	0	100	0
2000	0	100	0
2001	0	81	19
2002	0	65	35
2003	2	68	30
2004	10	50	40
2005	10	72	18
2006	17	42	41
2007	6	75	19
2008	9	45	47
2009	2	21	77
2010	4.5	7.6	87.9

Government issuance is a positive addition to the market. It helps to develop the domestic Sukuk markets by creating local instruments for liquidity management of Islamic financial institutions, and a Sukuk yield curve against which private sector issuers can benchmark themselves.

That said, only a handful of governments in Malaysia, Bahrain, and Indonesia have issued on a sustained basis so far. We do not expect this to change until the financial markets have recovered and the Sukuk market has improved its standardization and reached critical liquidity.

Cross border issuance

Regional financial centers such as Singapore and Hong Kong may complement Malaysia and the GCC in bolstering the global expansion of the Sukuk market, and ultimately the Islamic financial industry. Singapore, for instance, has the appropriate regulatory framework to provide a level playing field between Islamic and conventional finance in order to promote cross border issuance (domestic Sukuk by foreign issuers). Indeed, the country's central bank has been a strong supporter of developing Islamic finance for some time now.

A similar trend is about to take place in Hong Kong, where the government acknowledged in the recently announced budget that measures are needed to further develop the country's Islamic finance platform. It plans to introduce provisions this year designed to create a level playing field for Islamic financial products to compete with conventional products.

One example of a successful cross border Sukuk issuance was from Malaysian state owned Khazanah Nasional in Singapore in August 2010, which demonstrated both the depth of Singapore's debt market

and that the Islamic finance system can work alongside conventional finance. The issue was large and successful despite many competing Singapore dollar conventional bond issues – it had been originally marketed at SG\$1 billion (US\$737 million) but reached SG\$1.5 billion (US\$1.1 billion).

The cross border issuance promotes greater economic links between countries. An important tenet of Islamic finance is the use of money for productive purposes, and cross border Sukuk could see the proceeds raised in one country being channeled to productive projects, such as infrastructure development, in another. We believe this would be particularly appealing to countries in Asia, given the desires of their respective governments for greater economic and financial integration within the region.

The Khazanah Sukuk is also traded in the secondary market, which increases its appeal to traditional fixed income investors, facilitates pricing discovery, and creates a pricing benchmark for future Sukuk issuances in these regional financial centers.

Malaysian ringgit remains dominant currency choice

Apart from 2006, the Malaysian ringgit has been the currency of choice every year since the inception of the market, with ringgit-denominated Sukuk representing about 59% of total issuance over the period (see chart 4) or more than twice the US dollar-denominated ones.

Chart 4 – Sukuk issuance by currency 1996-2010 (%)

RM	59.2
US\$	23.7
SAR	5.3
AED	4
IDR	2.7
BHD	1.4
PKR	1.2
BND	0.9
QAR	0.7
SG\$	0.7
EUR	0.1
GBP	0.1
GMD	0.02

AED–UAE dirham, BHD–Bahraini dinar, BND–Bruneian dollar, EUR–euro, GBP–British pound sterling, GMD–Gambian dalasi, IDR–Indonesian rupiah, RM–Malaysian ringgit, PKR–Pakistan rupee, QAR–Qatari riyal, SAR–Saudi Arabian riyal, SG\$–Singapore dollar, US\$–US dollar.

Malaysia has notably funded infrastructure projects with ringgit-denominated Sukuk, since Islamic investors tend to prefer asset-backed projects. But ringgit-denominated issuance is not limited to Malaysian issuers. The National Bank of Abu Dhabi ('A+'/'Stable'/'A-1') issued the equivalent of a combined US\$325 million in the Malaysian currency in June and December 2010 to tap a deeper Sukuk market.

We expect local currencies – and most notably the ringgit – to remain the currencies of choice at least through 2011.

continued...

Malaysia Bears the Roots and New Shoots of the Sukuk Market (continued)

Standardization remains the main stumbling block

We have long believed that standardization is the main challenge for the Sukuk market. Although cooperation initiatives exist among regulators, the market lacks clear leadership to implement an ambitious, cross regional initiative to develop a standardized set of rules, structures, and Shariah interpretations.

Such a status quo has constrained issuance, deprived the market of an organized structure to ensure liquidity, and sustained geographic compartmentalization. Standardization will likely be slow and difficult, given the necessity to align different parties and views on sensitive religious matters.

The enactment of legislation to include Shariah compliant instruments into existing tax regimes and regulatory frameworks has indeed been a protracted and much debated affair, notably in countries where the Muslim population is sizable but not the majority.

Despite the lack of common ground, there is cause for optimism. The crisis triggered real life tests, which galvanized market participants around a common goal to iron out issues in the industry.

For instance, the default and subsequent restructuring of high profile issuance such as the US\$100 million Sukuk of Kuwait based The Investment Dar in 2009 are indirectly aiding the further maturation of the market.

As for the conventional debt market, a track record of default is needed to help the various jurisdictions and investors document and learn the implications of a defaulting Sukuk scenario, including expectations for the proportion and timing of potential recoveries.

The market is also now moving toward listed instruments, both on international markets and local markets such as Dubai, Malaysia, or Saudi Arabia. The majority of Sukuk to date have been issued in the form of over the counter instruments that investment bankers developed to fit the specific needs of issuers and then privately placed to meet the needs of investors.

Listing Sukuk on organized markets is important for the liquidity of the instrument itself, but also makes it easier for investors to manage, both in terms of liquidity and price discovery.

Lastly, some areas of the Islamic finance industry remain dependent on the Sukuk market taking off and morphing into an organized and clear, fixed income asset class – such as the Shariah compliant fund industry.⁽³⁾

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Earning Halal Returns from the Equity Market

By Asim Hameed Khan

The equity market is a place where shares are issued and traded either through exchange or over the counter.

The features that attract investors towards the equity market is its most liquid characteristic, compared to other less liquid investments such as real estate. The equity market provides investors the ability to quickly and easily buy/sell securities to investors.

It is generally accepted that the share price demonstrates a semi-strong form of market efficiency, which means share prices respond immediately to all publicly available information – but not to information available only to an insider.

The stock market response to the information released by a company can be understood with reference to efficient market hypothesis (EMH). An alternative view to the EMH is behavioral finance. Speculation by investors and market sentiments is a major factor in the behavior of share price. It attempts to explain the market implications of the psychological factor behind investor decisions and suggests that irrational investor behavior may significantly affect share price movements hence share prices appear sometimes to over-react to past price changes.

Hypothesis: At this moment in time, over long-term value generation, a short-term financial gain can take priority for the general investor. However, the gung-ho approach of risk taking can lead to level market instability if ethical best practices are not opted.

The equity market bears the impact of economic, political, and societal issues that may cause the market to change direction from bullish to bearish or vice versa. Many other factors as well have serious long-term implications like inflation, interest rates, earnings, oil/energy prices, war/terrorism, crime/fraud and serious domestic political unrest.

The equity market provides the best returns among various investment avenues and accordingly it involves high risk. Equity investors calculate a level of return required by using Capital Asset Pricing Model (CAPM). CAPM is the unchallenged method which actually takes into account a systematic risk by using the beta factor, which is used to measure the volatility of the returns on shares relative to the equity market.

Due to the high risk involved, it is recommended that general investors do not to put all their savings in the equity market. The percentage of the amount of an investment that should be made by a general investor is “100% less the percentage of age of an investor”. For example, an investor aged 45 with savings of US\$20,000, should invest | $100\% - 45\% = 55\%$, $US\$20,000 \times 55\% = US\$11,000$ |

The remaining amount is advised to be put in less risky avenues, for example Shariah compliant long-term instruments or bank placements. The rationale behind this is to save the general investor from catastrophic depression and absolute financial ruin.

Shariah compliant equity investments

The equity market seems to be the most vital source to generate good returns at this time, and most countries are now set for revival. Investors are keen to take advantage of the increase in stock prices. But, equity markets are unlikely to provide socio-religious or ethical

based trading solutions. Buying a share of a company makes the shareholder a joint owner of each and every asset and liability linked to a company, which is allowed in Shariah. The basic concept of equity markets is permissible under Shariah with certain conditions.

For corporate entities, it is easy to implement Shariah compliance as detailed guidelines, procedures and wide resources could easily be made available to them. They could also take assistance from Islamic financial advisory firms or recruit inhouse or external, independent Shariah scholars.

However, it is difficult for the general or individual investor to take account of proper Shariah guidelines and procedures as the equity market is complex to understand.

A stock market is the staged reflection of conventional trading. To earn Halal earnings through the equity market, investors must be cautious in trading and must avoid the following:

- Riba such as any increase over and above the principal in a loan transaction, likely in Badla (carry forward system in stock trading) for example.
- Gharar that is uncertainty in transactions regarding price, subject matter or delivery, sale of things whose consequences or outcome is unknown, or a sale involving risk or hazard in which one does not know whether it will come to be or not, sale of things whose outcome or consequence is unknown.
- Qimar/maysir (gambling), short sale and speculation (for example – forward, futures, and options).

Likewise, ‘same-day trading’ is not allowed; shares should not be sold before settlement such as their possession has to be transferred, in accordance with the settlement schedule of stock exchange, for example like T+2 in Pakistan and T+3 in Malaysia.

According to Shariah standards of the AAOIFI, it is permissible to issue new shares in order to increase capital. The new shares should be issued at the fair value of old shares. Pricing should be done in accordance with the opinion of experts in valuation of the company’s assets.

The shares can be issued at a premium or discount to their nominal value or they can be issued at the market value. However, letter of rights (LOR) cannot be traded, as they are on option. LOR, once subscribed, becomes an ordinary share and after subscription they can be traded (bought/sold).

The nature of business should be Shariah acceptable. Investors should not invest in companies involved in unethical business activities; and the core business of the investee company should be permissible by Shariah. Companies providing financial services on interest, such as interest based financial institutions like commercial banks, asset management companies, insurance companies, microfinance banks, which are involved directly or indirectly in some other business are impermissible and are Shariah non-compliant.

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Islamic Finance Education

By Mohammed Khnifer

The Master of Science (MSc) in specialized finance can be the wave of the future, but some human resource (HR) managers at global banks have not yet realized fully the value in hiring someone who is already a specialist.

The days when a HR manager is forced to choose a graduate specialized in economics to be placed in the corporate finance division, which is not his exact discipline, should be long gone by now. But apparently this is not so.

“Investment banks should tweak their recruiting process and recognize the fact that financial education will ultimately raise standards as the pool of talent deepens”

What the old generation of HR managers, those without a financial academic background, should come to realize that the financial industry is in the process of being reshaped from top to bottom by graduates who hold specialized finance degrees.

While MBA holders were the hot trend during the past decade, MSc holders with a specialized finance background should be the winning bet in the age of financial innovation as their technical expertise is poised to take us to the next level.

Specialized MSc in capital markets, corporate finance, financial engineering, Islamic investment banking, financial risk management, and even international shipping should change fundamentally the way the recruiting process is being implemented by these global banks.

They are the next generation of graduates who should be paid the premium in order to recruit them. Unfortunately, many of them are eliminated by computer based software in the first stage of the recruitment process. They do not even reach the scrutiny process carried out by HR staff.

With the evolution of progressive specialized MScs, the stakeholders of investment banks should tweak their recruiting process and recognize the fact that financial education will ultimately raise standards as the pool of talent deepens.

The birth of bouquet business schools

As the market is over-supplied with MBA courses, other mid-tier schools have found a convenient way to differentiate themselves. This led to the birth of what I call bouquet business schools that leverage on their specialty in offering a wide variety of specialized MSc programs.

Such mid-tier schools can produce better qualified graduates for an investment bank than a prestigious school with an established traditional MBA.

Unfortunately, the computer based recruitment process does not accommodate for such uniqueness in any niche type of financing. As a result, the institution loses a huge number of talented human capital without realizing it.

An example of a mismatch of the needs in a well established investment bank is JPMorgan Chase. JPMorgan Chase has not reduced new MBA hiring levels and will search for talent at 20 to 25 schools this year, compared to about 15 last year, says Joanna Moody, head of campus recruiting for the company's investment banking unit in North America.

Other schools have begun introducing specialized MBA programs, but they do not offer the breadth of specialized finance MSc. These schools often begin by introducing specialized programs in established management sub-disciplines, such as human resources, project management, information technology management, supply chain management and non-profit management.

It was reported also that Asian universities have begun to follow suit. MBA India for example lists about two dozen schools offerings specialized degrees in fields such as real estate, construction, bank, travel and tourism, pharmaceuticals and even rural management.

But the question remains on when HR managers of investment banks will appreciate the new breed of specialized finance MSc rather than inflating their financial institutions with the mainstream discipline in economics or traditional MBA. ☺

Mohammed Khnifer

Islamic banking practitioner

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Mohammed Khnifer is regarded as part of the second generation of Islamic banking practitioners. He is a holder of an MSc in Investment Banking and Islamic Finance and an MBA in Islamic Banking and Finance from UK business schools.

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Pakistan as the world's second largest Muslim population has lagged in the development of an Islamic banking hub. What may have been the reasons and what should the country do?



One of Pakistan's greatest strengths is its ability to sustain a vibrant economy; one of its greatest weaknesses is its inability to foster cohesion among its diverse ethnicities. The attendant rumblings tend to create a poor image of a country often considered to be the "evil twin" to India. It most certainly is not.

Pakistan's financial services sector is overshadowed in breadth by the major Gulf institutions and withheld from expanding in the Iranian and Central Asian hinterland because of the peculiar nature of international relations in this corner of the world. The net effect is an inward-looking industry, focused heavily on the local market, albeit with success among some institutions. The range of foreign institutions that have aimed to build viable businesses in the country is a testimony to the opportunity it offers. We do not necessarily accept the view that there are too many banks in Pakistan. Rather, we would rather see the government do a better job of helping to mobilize savings through more prudent economic management. Any such efforts are admittedly a medium- to long-term scenario. The answer to the industry's woes is likely to be found in a growing real economy, not a burgeoning nominal one.

DOUGLAS CLARK JOHNSON: CEO, Codexa Capital



Despite the most prominent scholars of Islamic finance being from Pakistan, Islamic asset growth has been very disappointing. Shariah compliant assets in Pakistan are worth a mere US\$6.2 billion, far behind those of its neighbor Iran where Islamic assets within the banking system are worth US\$315 billion. Pakistan is ranked only 14th in the world for Shariah compliant assets, behind Bangladesh and even the UK.

There have been some promising developments recently, notably the expansion by Dubai Islamic Bank in Pakistan. Given its population size, there is much scope for Islamic retail banking. Pakistan has suffered from many problems in recent years, including devastating floods, a major earthquake and self-inflicted political uncertainties. Its potential to be an Islamic financial hub is limited because of a lack of confidence, despite the admirable efforts of the State Bank of Pakistan to facilitate Islamic banking and finance. There is an adequate regulatory framework in place already, and this is not the major constraint. Rather the future growth of Islamic finance, like everything else in Pakistan, will depend on how the economic and political situation evolves.

PROFESSOR RODNEY WILSON: Director of postgraduate studies, Durham University



Despite early attempts to convert the banking system in Pakistan to a fully Shariah compliant system, this has to date not materialized, and Pakistan currently operates a dual regulation system. A number of reasons can be identified for the relative lack of progress including the political and economic instability as well as the still relatively low GDP per capita. A significant part of the population lives

below the poverty line which makes them generally unattractive for any part of the financial industry. The financial infrastructure is largely underdeveloped and fragmented. These elements are not necessarily all disadvantageous. As for the wider financial industry in the country, Pakistan is in a prime position to evaluate the different models applied in other countries and develop their Islamic financial infrastructure based on the lessons learned elsewhere.

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



I am not sure that we should be looking for hubs everywhere. A hub should be a centre that guides capital flows. Pakistan is naturally a long-term destination for capital. With its large low income population, difficult neighbors, and domestic political challenges, I do not see Pakistan as a service center. Nonetheless, the State Bank of Pakistan and the new Capital Markets Authority are building a solid framework for an orderly

domestic Islamic financial services industry. These steps should help Pakistan to become a successful destination for capital that wishes to comply with Shariah and serve an important emerging market.

ABDULKADER THOMAS: CEO and President, SHAPE – Financial Corp

Next Forum Question

With banks worldwide still feeling the financial impact of bad debt incurred in the recent crisis and global economic growth expected to moderate this year, what is the outlook for Islamic project and infrastructure financing?

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, 11th April 2011.

Islamic Finance news talks to leading players in the industry



Name: H Jayesh
Position: Founding partner
Company: Juris Corp Advocates & Solicitors
Based: Mumbai and New Delhi
Age: 42
Nationality: Indian

leveraged our experience in finance, to render cutting-edge advice to clients on Islamic finance. Since we understand commercials better than most, our advice encompasses practical issues that business face while structuring deals

What are the strengths of your business?

Delivering value addition and identifying not only legal but also commercial issues for clients. As we have good financial lawyers with a strong focus on understanding commercials, we are able to understand (in addition to the Shariah laws underpinning such structures), the commercial intent behind the structures and advise accordingly.

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

The firm does not believe in following the beaten path. We have advised on complex financial structures that require “out-of-the-box” thinking, and an analytical approach. Given our extensive experience in advising on Indian regulatory issues to a large number of banks both domestic and foreign in India, we pride on our ability to “think like the regulator” as to what may pass muster and what may not.

What are the obstacles faced in running your business today?

The obstacles are limited talent pool with sufficient knowledge of the financial services sector and lawyers who are able to think commercially.

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

Firstly, more emphasis will be placed on developing products and solutions that comply in spirit with the requirements of Shariah and not merely seeking to adapt conventional products to the latter. I am already seeing the groundswell of support from consumers towards Shariah compliant institutions that are differentiating themselves through products and solutions that meet their requirements and are Shariah compliant.

These institutions do not seek to model on conventional instruments and are therefore ‘independent’. With the increasing influence of such institutions, the current dominance of western banks will be challenged – Qatar being a case in point. I also see Islamic finance increasing its influence in countries such as India, Sri Lanka, China, key African countries and Australia.

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

The thinking that Islamic finance is like accounting norms with set standards. I am strongly of the view that differences in opinion among scholars should be encouraged, as it allows Islamic finance to evolve as per local requirements.

It also acts as a natural counter balance, as any adverse ruling or decision by one particular scholar or board can be logically debated and even questioned by the others in the field, thereby enabling a ‘middle path’ approach. (f)

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

I graduated with a law degree from the Government Law College in Mumbai, India. I completed my CFA after my legal training. As a British Chevening scholar, I gained experience in English and European Community laws and regulations by undergoing training at the College of Law at York. I also worked briefly with a London based solicitors firm in their corporate finance department. Then I returned to India and joined law firm Udawadia, Udeshi & Berjis. As a partner at the law firm, I worked on a broad array of matters including derivatives, mergers and acquisitions and structured finance. I founded Juris Corp in October 2000 as a boutique financial services firm.

Juris Corp was conceptualized as a boutique law firm to cater to the financial services sector in India. It has grown into a full services law firm with financial services being the core with diverse local and foreign clientele.

What does your role involve?

Providing guidance on targets and goals to be achieved; budgetary allocations; formulating and executing policy decisions; and strategizing.

In Islamic finance, it includes identifying broad opportunities and targeting clients; analyzing latest regulatory developments (in India and key global markets) and their impact on Islamic finance; and guiding colleagues on how to adapt conventional structures in order to become Shariah compliant. It also includes adopting a bottom-up approach, in studying the jurisprudence behind many of the transactions undertaken globally and interpret the same in the context of the local laws and customs prevalent in India. We are one of the few to have a dedicated Islamic finance setup.

What is your greatest achievement to date?

To have achieved leadership status in India in structured products, derivatives and financial litigation and be among the pre-eminent firms in structured finance.

Which of your products / services deliver the best results?

Broadly such services comprise of different segments of banking and finance, including dispute resolution related to these areas. We have

SUMMARY OF TERMS & CONDITIONS

Emaar Properties
US dollar-denominated Sukuk

US\$500 million

27th January 2011

Obligor/Issuer	Emaar Properties/Emaar Sukuk (a special purpose vehicle incorporated in the Cayman Islands)
Tenor	5.5 years
Coupon/profit rate	8.5% paid semi-annually
Maturity date	3 rd August 2016
Periodic distribution	Fixed rate paid semi-annually
Covenants	Include maintenance covenant relating to total assets, profitability, interest coverage, debt to equity and debt to earnings before interest, taxes, depreciation, and amortization (EBITDA)
Joint lead managers	HSBC Standard Chartered Bank The Royal Bank of Scotland
Co-managers	Dubai Islamic Bank
Governing law	English and Dubai
Listing	London Stock Exchange
Ratings	Obligor: 'B1' by Moody's Investors Service (Moody's) and 'BB' by Standard & Poor's Ratings Services (S&P) Issuer: 'B1' by Moody's and 'BB' by S&P
Structure	Ijarah

The Q&A was conducted with Abdul Fadiil Hameed, director of Islamic origination, Standard Chartered Bank:

- Why did you use this particular Islamic structure? What other structures were considered?**
This structure was used as it is widely accepted.
- What will this capital be used for?**
This capital is used for general purposes and balance sheet management.
- What were the challenges faced and how were they resolved?**
The primary challenge was to ensure that investors understand the accurate credit story of the company, that it is a diversified business and not a pure real estate play. This challenge was addressed by active engagement with potential investors.
- Geographically speaking, where did the investors come from?**
The range is as follows – 52% Europe, 7% Asia, 3% US offshore and 38% Middle East.
- Was this deal rated?**
Yes, this deal was rated by Moody's and S&P. 

Deal tracker

Keeping you abreast of the world's upcoming Shariah compliant deals
Another **Islamic Finance** news exclusive

ISSUER	SIZE	INSTRUMENT
Tatarstan	US\$200 million	Sukuk
Bank Muamalat Indonesia	IDR1 trillion	Sukuk
Gema Padu	RM170 million	Sukuk
Al Jazira Bank Saudi Arabia	TBA	Sukuk
Masraf Al Rayan	US\$1 billion	Sukuk
First Gulf Bank	TBA	Sukuk
Kazakhstan	US\$500 million	Sovereign Sukuk
Prasarana Negara Malaysia	RM5 billion	Sukuk
Bio-Xcell Malaysia	RM250 million	Sukuk
Academic Medical Center Malaysia	RM1.5 billion	Sukuk
Kuwait Finance House-Turkey	US\$500 million	Sukuk
Ministry of oil, Iran	EUR2 billion	Sukuk
Qatar International Islamic Bank	TBA	Sukuk
Engro Corporation, Pakistan	PKR3 billion	Sukuk
Aldar Properties	AED3.5 billion	Sukuk
Gatehouse Bank	GBP60 million	Sukuk
Islamic Bank of Thailand	US\$250 million	Sukuk
First Investments Company	KWD92 million	Sukuk
Central Bank of Yemen	US\$500 million	Sukuk
Qatar International Islamic Bank	US\$500 million	Sukuk
Dana Gas	US\$1 billion	Sukuk
Amana Takaful	LKR750 million	Sukuk
Bizim Securities, Turkey	TRL100 million	Sukuk
Antara Steel Mills	RM300 million	Sukuk
Brazil	TBA	Sukuk
General Authority of Civil Aviation, Saudi Arabia	SAR15 billion	Sukuk
Kazakhstan	TBA	Sukuk
Albaraka Turk Katilim Bankasi	TBA	Sukuk
Franklin Templeton	TBA	Sukuk
Gulf Investment Corporation	RM3.5 billion	Sukuk
CIMB Islamic	TBA	Sukuk
France	TBA	Sukuk
Bank Negara Malaysia	TBA	Sukuk
Nakheel	TBA	Sukuk
General Electric	TBA	Sukuk
Kenchana Petroleum Malaysia	RM350 million	Sukuk

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

Islamic Finance news

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Top 10 Islamic Funds by Key Performance Statistics



Monthly returns for Developed Markets (as of the 28th March 2011)

FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	ETFS Physical Silver	ETFS Metal Securities	Jersey
2	ETFS Physical PM Basket	ETFS Metal Securities	Jersey
3	ETFS Physical Gold	ETFS Metal Securities	Jersey
4	DWS Noor Precious Metals Securities Fund - Class A	DWS Noor Islamic Funds	Ireland
5	Al Madar US Index	Almadar Finance & Investment	Kuwait
6	Al Rajhi International Small Capitalisation	Merrill Lynch Investment Managers	Saudi Arabia
7	Al Rajhi European Equity	Al Rajhi Bank	Saudi Arabia
8	Reliance Global Shariah Growth - USD I	Reliance Asset Management (Malaysia)	Guernsey
9	Oasis Crescent Global Property Equity	Oasis Global Management Company (Ireland)	Ireland
10	ING Annual Income Climate Structured	ING Funds	Malaysia
* Eurekaledge Developed Markets Islamic Fund Index		1.41	

Monthly returns for Emerging Markets funds (as of the 28th March 2011)

FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	HwangDBS AIIIMAN A20 China Access	HWANGDBS Investment Management	Malaysia
2	Daiwa FTSE Shariah Japan 100 ETF	Daiwa Asset Management (Singapore)	Singapore
3	CIMB Principal Islamic Equity Growth Syariah	CIMB-GK Securities	Indonesia
4	Danareksa Indeks Syariah	Danareksa Investment Management	Indonesia
5	Manulife Dana Ekuitas Syariah	Manulife Aset Management Indonesia	Indonesia
6	Jadwa Africa Equity Freestyle	Jadwa Investment	Saudi Arabia
7	CIMB Principal Islamic Balanced Growth Syariah	CIMB-GK Securities	Indonesia
8	BNP Paribas Pesona Amanah	BNP Paribas Investment Partners	Indonesia
9	Kagiso Islamic Equity	Kagiso Asset Management	South Africa
10	Danareksa Syariah Berimbang	Danareksa Investment Management	Indonesia
* Eurekaledge Emerging Markets Islamic Fund Index		(1.79)	

Contact Eurekaledge

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

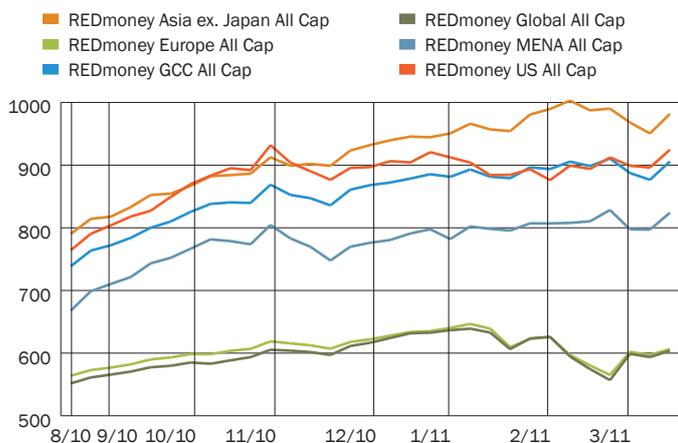
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Tel: +65 6212 0900

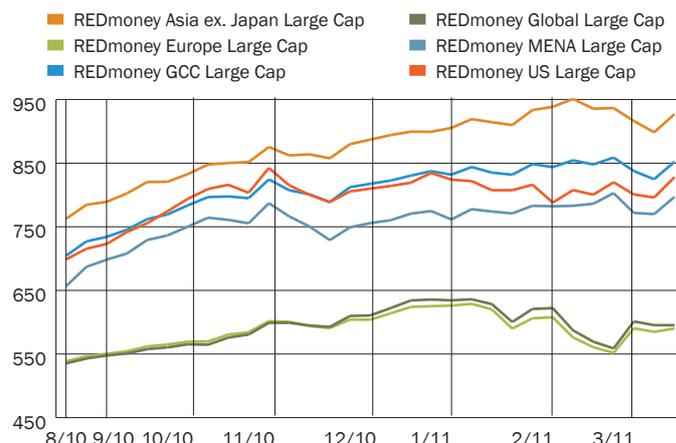
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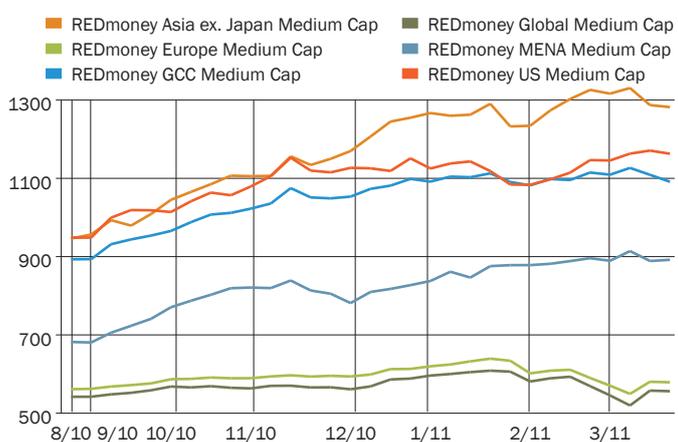
REDmoney GLOBAL SHARIAH INDEX SERIES (All Cap) 6 Months



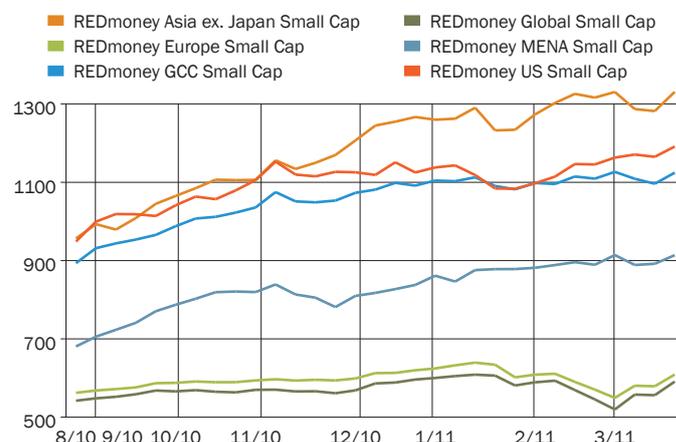
REDmoney GLOBAL SHARIAH INDEX SERIES (Large Cap) 6 Months



REDmoney GLOBAL SHARIAH INDEX SERIES (Medium Cap) 6 Months



REDmoney GLOBAL SHARIAH INDEX SERIES (Small Cap) 6 Months



INDEX	Last (US\$)	MTD (%)	3 Months (%)	6 Months (%)	YTD (%)	1 Year (%)	2 Years (%)
REDmoney US Large Cap	926.96	-1.21	10.39	25.04	3.07	7.58	42.78
REDmoney Europe Large Cap	796.88	-0.23	11.90	20.70	2.85	4.13	47.76
REDmoney Global Large Cap	852.13	-0.31	9.28	21.85	1.76	9.65	51.96
REDmoney MENA Large Cap	590.15	5.16	-5.54	4.36	-5.12	5.22	37.97
REDmoney GCC Large Cap	601.01	5.64	-4.62	6.47	-4.90	7.70	45.35
REDmoney Asia ex. Japan Large Cap	827.94	2.90	2.22	14.65	-0.79	13.86	67.98

INDEX	Last (US\$)	MTD (%)	3 Months (%)	6 Months (%)	YTD (%)	1 Year (%)	2 Years (%)
REDmoney US All Cap	981.71	-0.85	11.14	27.42	3.93	9.71	49.99
REDmoney MENA All Cap	606.44	4.80	-5.04	2.77	-4.16	1.48	31.51
REDmoney GCC All Cap	604.02	5.59	-4.64	3.82	-4.09	3.50	37.24
REDmoney Europe All Cap	824.06	0.13	12.27	22.21	3.31	6.70	55.12
REDmoney Global All Cap	905.83	0.07	9.00	22.84	2.18	12.18	62.05
REDmoney Asia ex. Japan All Cap	924.67	2.72	2.86	16.44	0.46	17.12	84.85

REDmoney Global Shariah Index Series

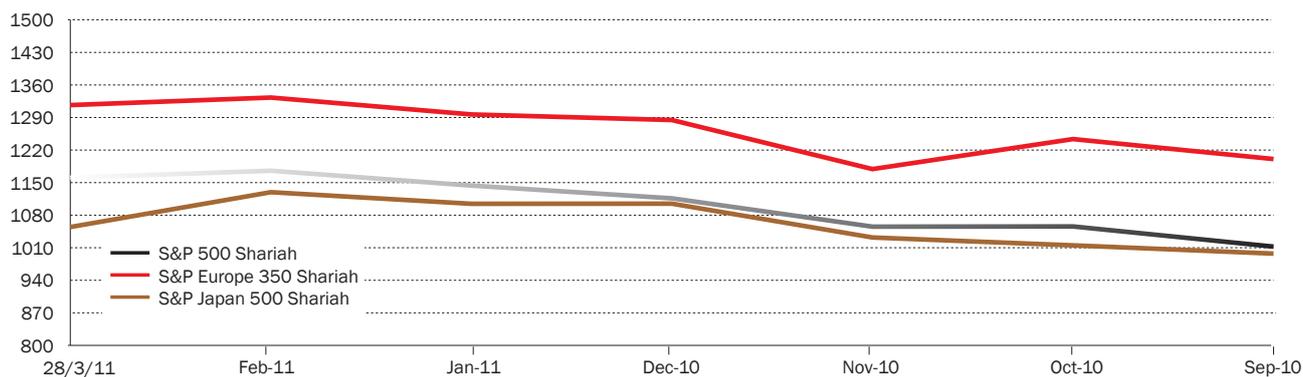


For further information regarding REDmoney Indexes contact: Andrew Morgan Managing Director, REDmoney Group

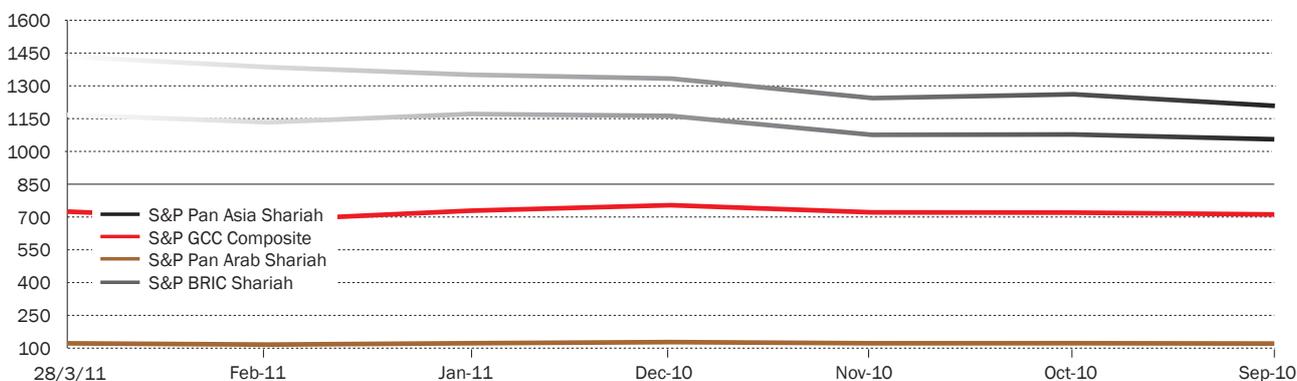
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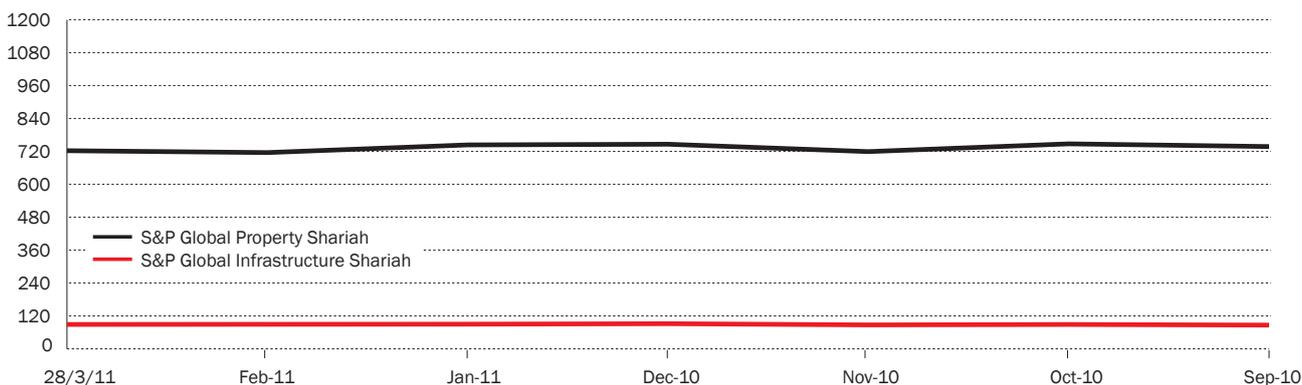
S&P Shariah Indices Price Index Levels



Index Code	Index Name	28-Mar-11	Feb-11	Jan-11	Dec-10	Nov-10	Oct-10	Sep-10
SPSHX	S&P 500 Shariah	1160.421	1175.593	1143.662	1116.185	1055.305	1055.737	1012.387
SPSHEU	S&P Europe 350 Shariah	1316.713	1332.904	1296.598	1284.601	1179.078	1243.62	1200.681
SPSHJU	S&P Japan 500 Shariah	1054.503	1129.41	1104.465	1104.726	1032.02	1015.125	997.313



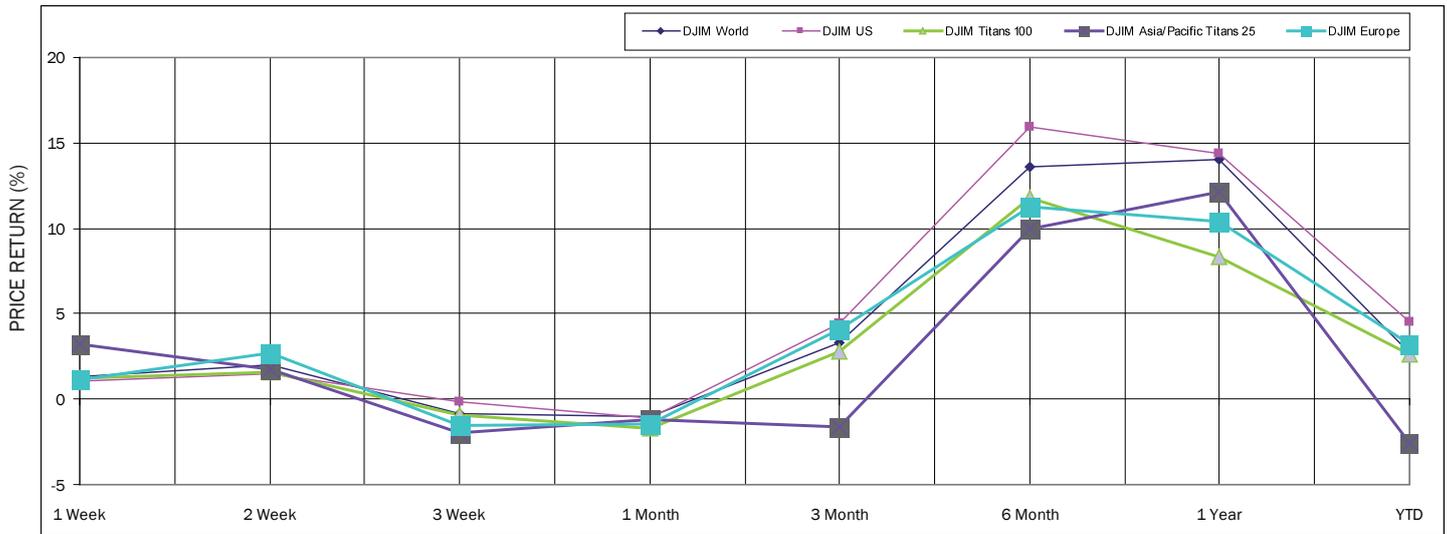
Index Code	Index Name	28-Mar-11	Feb-11	Jan-11	Dec-10	Nov-10	Oct-10	Sep-10
SPSHAS	S&P Pan Asia Shariah	1167.799	1133.3	1170.956	1162.323	1075.868	1077.471	1055.516
SPSHG	S&P GCC Composite Shariah	724.76	685.834	728.593	753.965	721.171	720.021	711.722
SPSHPA	S&P Pan Arab Shariah	122.089	116.293	122.54	127.698	122.361	122.657	121.1
SPSHBR	S&P BRIC Shariah	1439.297	1390.791	1356.222	1338.497	1249.391	1266.724	1213.917



Index Code	Index Name	28-Mar-11	Feb-11	Jan-11	Dec-10	Nov-10	Oct-10	Sep-10
SPSHGU	S&P Global Property Shariah	722.59	715.72	743.73	746.209	719.266	747.598	737.706
SPSHIF	S&P Global Infrastructure Shariah	88.912	89.602	89.978	91.68	87.253	88.875	86.53

Data as of the 28th March 2011

PERFORMANCE OF DJ INDEXES



INDEX	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	1.35	2	-0.84	-1.05	3.34	13.64	14.07	2.73
DJIM US	1.04	1.47	-0.14	-1.1	4.47	15.97	14.4	4.5
DJIM Titans 100	1.24	1.57	-0.97	-1.67	2.8	11.78	8.32	2.61
DJIM Asia/Pacific Titans 25	3.18	1.78	-1.93	-1.22	-1.65	9.99	12.15	-2.6
DJIM Europe	1.16	2.7	-1.52	-1.46	4.05	11.22	10.38	3.26

*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	2526	18101.98	14198.86	5.62	1.12	420.9	0.007934	2.9643	0.000056
DJIM US	583	7514.6	7081.21	12.15	3.56	420.9	0.151936	5.9439	0.002146
DJIM Titans 100	100	7386.92	6616.55	66.17	45.86	417.63	12.939358	6.3118	0.19556
DJIM Asia/Pacific Titans 25	25	1154.69	794.89	31.8	28.92	84.31	12.939358	10.607	1.627809
DJIM Europe	268	3449.83	2757.4	10.29	2.54	143.37	0.278703	5.1995	0.010107
DJIM GCC	111	189.69	82.03	0.74	0.3	8.93	0.017512	10.8907	0.021349
DJIM MENA	160	373.77	108.47	0.68	0.16	13.95	0.007934	12.8597	0.007315
DJIM ASEAN	239	488.07	190.17	0.8	0.16	16.27	0.002513	8.554	0.001322

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

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TOP 30 ISSUERS OF ISLAMIC BONDS								12 Months
Issuer	Nationality	Instrument	Market	Amt US\$	Iss	%	Managers	
1	Saudi Electricity	Saudi Arabia	Sukuk	Domestic market public issue	1,866,000,000	1	10.2	HSBC, Samba Capital
2	Danga Capital	Malaysia	Sukuk Musharakah	Domestic market public issue; Foreign market private placement	1,700,000,000	2	9.3	Standard Chartered, HSBC, OCBC, RHB Capital, CIMB Group, DBS
3	Cagamas	Malaysia	Sukuk	Domestic market private placement; Domestic market public issue	1,430,000,000	10	7.8	AmlInvestment Bank, RBS, RHB Capital, Al-Rajhi Banking & Investment, Standard Chartered, HSBC, CIMB Group"
4	Celcom Transmission (M)	Malaysia	Sukuk	Domestic market public issue	1,329,000,000	1	7.3	CIMB Group, Maybank Investment Bank
5	Senai Desaru Expressway	Malaysia	Sukuk	Domestic market public issue	1,275,000,000	2	7.0	Maybank Investment Bank
6	1Malaysia Sukuk Global	Malaysia	Sukuk Ijarah	Euro market public issue	1,250,000,000	1	6.8	HSBC, Barclays Capital, CIMB Group
7	GovCo Holdings	Malaysia	Sukuk Murabahah	Domestic market private placement	985,000,000	1	5.4	HSBC, RHB Capital, CIMB Group
8	Pengurusan Air SPV	Malaysia	Sukuk Murabahah	Domestic market private placement	884,000,000	1	4.8	HSBC, CIMB Group
9	Malaysia Airports Capital	Malaysia	Sukuk Ijarah	Domestic market public issue	792,000,000	2	4.3	CIMB Group, Citigroup
10	Qatar Islamic Bank	Qatar	Sukuk Ijarah, Sukuk Murabahah	Euro market public issue	750,000,000	1	4.1	HSBC, Credit Suisse, QInvest LLC
10	Abu Dhabi Islamic Bank	UAE	Sukuk Musharakah	Euro market public issue	750,000,000	1	4.1	Standard Chartered, HSBC, Barclays Capital
12	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market public issue	500,000,000	1	2.7	Standard Chartered, HSBC, CIMB Group, Citigroup
12	Emaar Sukuk	UAE	Sukuk	Euro market public issue	500,000,000	1	2.7	Standard Chartered, HSBC, RBS
14	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	393,000,000	1	2.1	RBS, Citigroup
15	Aman Sukuk	Malaysia	Sukuk Musharakah	Domestic market public issue	361,000,000	1	2.0	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmlInvestment Bank, Maybank Investment Bank
16	National Bank of Abu Dhabi	UAE	Sukuk Murabahah	Foreign market public issue	312,000,000	2	1.7	HSBC, Maybank Investment Bank
17	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	Domestic market private placement	301,000,000	1	1.7	CIMB Group
18	Konsortium Lebuhraya Utara-Timur	Malaysia	Sukuk Musharakah	Domestic market public issue	280,000,000	13	1.5	CIMB Group
19	Padiberas Nasional	Malaysia	Sukuk Musharakah	Domestic market public issue	240,000,000	2	1.3	Standard Chartered, Bank Muamalat Malaysia
20	Trans Thai-Malaysia Sukuk	Malaysia	Sukuk Musharakah	Domestic market private placement	195,000,000	1	1.1	HSBC, CIMB Group
21	AmlIslamic Bank	Malaysia	Sukuk Musharakah	Domestic market public issue	177,000,000	1	1.0	AmlInvestment Bank
22	Maju Expressway	Malaysia	Sukuk Musharakah	Domestic market public issue	168,000,000	1	0.9	CIMB Group
23	Pelabuhan Tanjung Pelepas	Malaysia	Sukuk	Domestic market public issue	167,000,000	1	0.9	RHB Capital, Maybank Investment Bank
24	Putrajaya Holdings	Malaysia	Sukuk Musharakah	Domestic market public issue	161,000,000	1	0.9	CIMB Group, AmlInvestment Bank, Maybank Investment Bank
25	Malaysia Debt Ventures	Malaysia	Sukuk Murabahah	Domestic market public issue	158,000,000	1	0.9	Lembaga Tabung Haji, RHB Capital, CIMB Group"
26	Bank Pembangunan Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	153,000,000	1	0.8	HSBC, CIMB Group
27	Boustead Holdings	Malaysia	Sukuk	Domestic market private placement	133,000,000	1	0.7	OCBC, Public Bank, Affin Investment Bank
28	Nomura Sukuk	Japan	Sukuk Ijarah	Euro market public issue	100,000,000	1	0.6	KFH
28	Kuveyt Turk Katilim Bankasi	Kuwait	Sukuk Murabahah	Euro market public issue	100,000,000	1	0.6	KFH, Citigroup
30	Gamuda	Malaysia	Sukuk Musharakah Sukuk Murabahah	Domestic market private placement	97,000,000	1	0.5	CIMB Group, AmlInvestment Bank Bhd
Total					18,309,000,000	91	100	

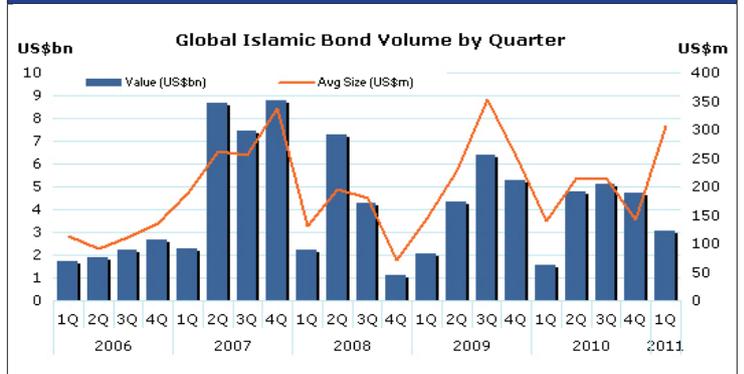
20 MOST RECENT GLOBAL ISLAMIC BONDS

Priced	Issuer	Nationality	Instrument	Market	Value US\$	Managers
23rd Feb 2011	Cagamas	Malaysia	Sukuk Murabahah	Domestic market public issue	132,000,000	CIMB Group, AmInvestment Bank
8th Feb 2011	GovCo Holdings	Malaysia	Sukuk Murabahah	Domestic market private placement	985,000,000	HSBC, RHB Capital, CIMB Group
28th Jan 2011	Aman Sukuk	Malaysia	Sukuk Musharakah	Domestic market public issue	361,000,000	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
27th Jan 2011	Emaar Sukuk	UAE	Sukuk	Euro market public issue	500,000,000	Standard Chartered, HSBC, RBS
25th Jan 2011	Pengurusan Air SPV	Malaysia	Sukuk Murabahah	Domestic market private placement	884,000,000	HSBC, CIMB Group
10th Jan 2011	Padiberas Nasional	Malaysia	Sukuk Murabahah	Domestic market public issue	114,000,000	Standard Chartered Bank, Bank Muamalat Malaysia
29th Dec 2010	Senai Desaru Expressway	Malaysia	Sukuk	Domestic market public issue	1,192,000,000	Maybank Investment Bank
14th Dec 2010	National Bank of Abu Dhabi	UAE	Sukuk Murabahah	Foreign market public issue	159,000,000	HSBC, RBS, Maybank Investment Bank
10th Dec 2010	Cagamas	Malaysia	Sukuk Murabahah	Domestic market public issue	287,000,000	HSBC, CIMB Group
8th Dec 2010	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	400,000,000	RBS, Citigroup
3rd Dec 2010	Malaysia Airports Capital	Malaysia	Sukuk Murabahah	Domestic market public issue	476,000,000	CIMB Group, Citigroup
29th Nov 2010	Boustead Holdings	Malaysia	Sukuk	Domestic market private placement	133,000,000	OCBC, Public Bank, Affin Investment Bank
5th Nov 2010	Trans Thai-Malaysia Sukuk	Malaysia	Sukuk Musharakah	Domestic market private placement	195,000,000	HSBC, CIMB Group
28th Oct 2010	Abu Dhabi Islamic Bank	UAE	Sukuk Musharakah	Euro market public issue	750,000,000	Standard Chartered, HSBC Barclays Capital
20th Oct 2010	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market public issue	500,000,000	Standard Chartered Bank, HSBC, CIMB Group, Citigroup
20th Oct 2010	Cagamas	Malaysia	Sukuk Murabahah	Domestic market public issue	161,000,000	AmInvestment Bank
30th Sep 2010	Qatar Islamic Bank	Qatar	Sukuk Ijarah, Sukuk Murabahah	Euro market public issue	750,000,000	HSBC, Credit Suisse, QInvest
21st Sep 2010	Putrajaya Holdings	Malaysia	Sukuk Musharakah	Domestic market public issue	161,000,000	CIMB Group, AmInvestment Bank, Maybank Investment Bank
15th Sep 2010	AmIslamic Bank	Malaysia	Sukuk Musharakah	Domestic market public issue	177,000,000	AmInvestment Bank
30th Aug 2010	Pelabuhan Tanjung Pelepas	Malaysia	Sukuk	Domestic market public issue	167,000,000	RHB Capital, Maybank Investment Bank

GLOBAL ISLAMIC BOND VOLUME BY MONTH



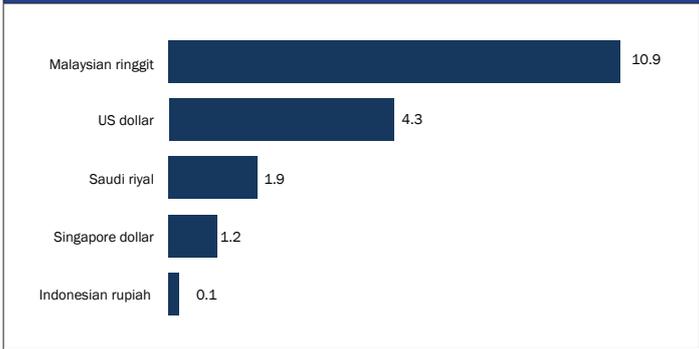
GLOBAL ISLAMIC BOND VOLUME BY QUARTER



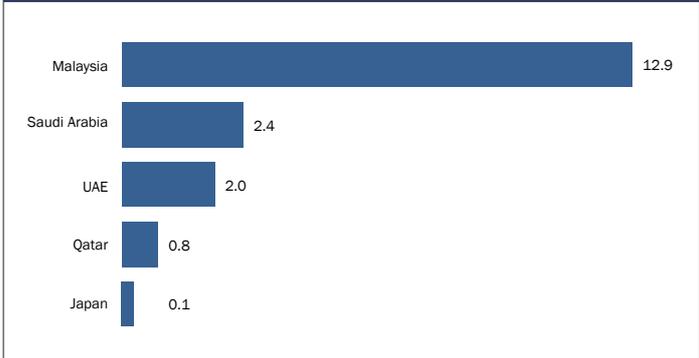
TOP 30 MANAGERS OF ISLAMIC BONDS 12 Months

Manager	Amt US\$	Iss	%
1 CIMB Group	4,496,000,000	47	24.6
2 HSBC	3,501,000,000	16	19.1
3 Maybank Investment Bank	2,517,000,000	23	13.8
4 AmInvestment Bank	1,102,000,000	12	6.0
5 Samba Capital	933,000,000	1	5.1
6 Standard Chartered Bank	808,000,000	8	4.4
7 RHB Capital	781,000,000	7	4.3
8 Citigroup	767,000,000	5	4.2
9 Barclays Capital	667,000,000	2	3.6
10 OCBC	530,000,000	3	2.9
11 RBS	522,000,000	4	2.9
12 DBS	363,000,000	1	2.0
13 QInvest	250,000,000	1	1.4
13 Credit Suisse	250,000,000	1	1.4
15 Bank Muamalat Malaysia	168,000,000	3	0.9
16 KFH	150,000,000	2	0.8
17 Lembaga Tabung Haji	131,000,000	3	0.7
18 Al-Rajhi Banking & Investment Corp	122,000,000	2	0.7
19 Public Bank	44,000,000	1	0.2
19 Affin Investment Bank	44,000,000	1	0.2
21 Kenanga Investment Bank	33,000,000	1	0.2
22 Mitsubishi UFJ Financial Group	25,000,000	3	0.1
23 Malaysian Industrial Development Finance	19,000,000	4	0.1
24 Trimegah Securities	18,000,000	1	0.1
24 Bank Mandiri (Persero)	18,000,000	1	0.1
24 (Persero) Danareksa	18,000,000	1	0.1
27 EON Bank	12,000,000	1	0.1
28 Indo Premier Securities	11,000,000	1	0.1
29 OSK	9,000,000	2	0.1
Total	18,309,000,000	92	100

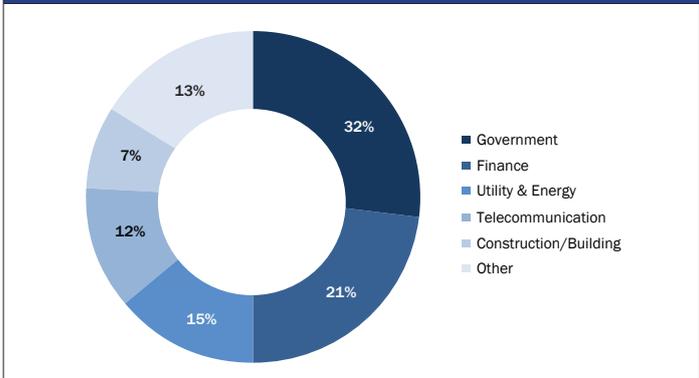
ISLAMIC BOND VOLUME BY CURRENCY US\$ (BILLION)



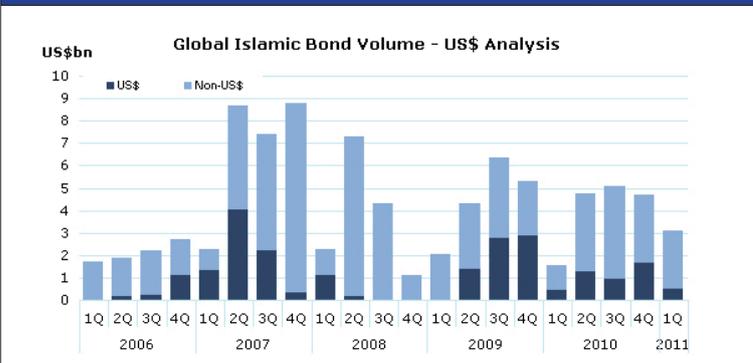
ISLAMIC BOND VOLUME BY ISSUER NATION US\$ (BILLION) - 12 Months



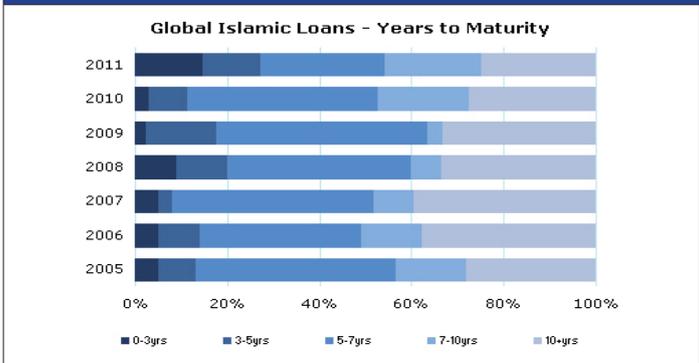
GLOBAL ISLAMIC BOND VOLUME BY SECTOR - 12 Months



GLOBAL ISLAMIC BOND VOLUME - US\$ ANALYSIS



GLOBAL ISLAMIC LOANS - YEARS TO MATURITY (YTD Comparison)



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 28th MARCH 2011

SUKUK MANAGERS		(12 months)	MAR 2010 – MAR 2011	
Manager	Manager Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	28,130,354,450	119	60.1
2	CIMB	6,553,400,843	95	14.0
3	Malayan Banking	2,931,882,058	117	6.3
4	HSBC Banking Group	1,973,156,368	27	4.2
5	RHB Banking Group	1,142,027,350	26	2.4
6	AMMB Holdings	979,251,546	61	2.1
7	Malaysian Industrial Development Finance	824,681,344	189	1.8
8	Barclays Bank	566,666,667	2	1.2
9	Standard Chartered Bank	510,255,375	7	1.1
10	Bukhary Capital	405,562,190	6	0.9
11	Cagamas	377,521,973	15	0.8
12	Citigroup	349,974,912	4	0.7
13	Kuwait Finance House	200,000,000	2	0.4
14	EON Capital	182,411,285	57	0.4
15	Indonesia (Government)	172,097,265	6	0.4
16	OSK Holdings	162,614,404	19	0.3
17	RBS	159,113,250	2	0.3
18	Affin Holdings	157,220,640	14	0.3
19	Nomura	150,000,000	1	0.3
20	Samba Financial Group	133,333,333	1	0.3

SUKUK MANAGERS		(3 months)	DEC 2010 - MAR 2011	
Manager	Manager Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	6,604,659,750	25	52.2
2	Malayan Banking	1,905,240,785	53	15.1
3	CIMB	1,243,991,470	16	9.8
4	HSBC Banking Group	978,399,795	7	7.7
5	RHB Banking Group	377,020,185	7	3.0
6	Bukhary Capital	228,571,700	2	1.8
7	Standard Chartered Bank	208,308,245	2	1.6
8	Malaysian Industrial Development Finance	167,577,566	44	1.3
9	Indonesia (Government)	166,566,315	4	1.3
10	AMMB Holdings	115,965,713	15	0.9
11	OSK Holdings	53,449,681	5	0.4
12=	Andalan Artha Advisindo Sekuritas	47,145,179	2	0.4
12=	Trimegah Securities	47,145,179	2	0.4
12=	OCBC Bank	44,921,339	2	0.4
12=	Danareksa Sekuritas	41,641,579	1	0.3
12=	Mega Capital Indonesia	41,641,579	1	0.3
12=	Bank Permata	41,641,579	1	0.3
12=	Reliance Securities	41,641,579	1	0.3
12=	Sucorinvest Central Gani	41,641,579	1	0.3
12=	Kresna Graha Sekurindo	41,641,579	1	0.3
12=	Citigroup	41,641,579	1	0.3

SUKUK ISSUERS		(12 months)	MAR 2010 – MAR 2011	
Issuer	Issuer Commitment (in US\$)	Issues	Market Share %	
1	BNM Sukuk	24,311,171,150	98	47.4
2	Malaysia (Government)	4,438,108,800	21	8.6
3	Perusahaan Penerbit SBSN Indonesia	2,019,555,790	8	3.9
4	Pengurusan Air SPV	2,002,481,940	6	3.9
5	Senai-Desaru Expressway	1,821,445,920	42	3.5
6	Pakistan, Islamic Republic of (Government)	1,594,481,152	3	3.1
7	Celcom Transmission (M)	1,342,937,400	4	2.6
8	Cagamas	1,282,571,730	16	2.5
9	Govco Holdings	983,928,000	2	1.9
10	Bank Indonesia	965,553,749	17	1.9
11=	ADIB Sukuk	750,000,000	1	1.5
11=	Qatar Islamic Bank	750,000,000	1	1.5
13	Danga Capital	621,408,000	1	1.2
14=	IDB Trust Services	500,000,000	1	1.0
14=	Emaar Sukuk	500,000,000	1	1.0
16	ESSO Malaysia	499,608,060	13	1.0
17	RAK Capital	400,000,000	1	0.8
18	Padiberas Nasional	364,357,251	4	0.7
19	Aman Sukuk	360,773,600	6	0.7
20	BMA International Sukuk	339,506,020	12	0.7

SUKUK ISSUERS		(3 months)	DEC 2010 - MAR 2011	
Issuer	Issuer Commitment (in US\$)	Issues	Market Share %	
1	BNM Sukuk	7,061,505,550	25	48.9
2	Senai-Desaru Expressway	1,821,445,920	42	12.6
3	Govco Holdings	983,928,000	2	6.8
4	Perusahaan Penerbit SBSN Indonesia	963,662,475	3	6.7
5	Pengurusan Air SPV	884,231,100	3	6.1
6	Pakistan, Islamic Republic of (Government)	555,696,307	1	3.9
7	Emaar Sukuk	500,000,000	1	3.5
8	Aman Sukuk	360,773,600	6	2.5
9	Padiberas Nasional	235,428,851	3	1.6
10	Bank Indonesia	215,448,960	3	1.5
11	BMA International Sukuk	175,038,740	6	1.2
12	KNM Capital	64,094,745	6	0.4
13	Perbadanan Kemajuan Negeri Selangor	59,235,680	3	0.4
14	Goodway Integrated Industries	39,277,485	9	0.3
15	Hubline	36,069,155	3	0.2
16	TSH Sukuk Ijarah	32,827,450	2	0.2
17	Toyota Capital Malaysia	32,797,600	1	0.2
18=	ESSO Malaysia	32,653,100	1	0.2
18=	Sunrise	32,653,100	1	0.2
20	Malaysia (Government)	32,462,300	1	0.2



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Islamic Sukuk league tables reflect Shariah compliant bonds showing evidence of ownership of assets or their earnings. These results include (but are not limited to) the following securities/assets: Sukuk Salam, Sukuk Mudarabah, Sukuk Ijarah, Sukuk Murabahah, Sukuk Istisna and Sukuk Musharakah.

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ALL DATA AS OF THE 28th MARCH 2011

LOAN MANDATED LEAD ARRANGERS		(12 Months)		MAR 2010 – MAR 2011	
	Lender	Pro Rata (US\$)	Full Credit (US\$)	Deals	Market Share %
1	Alinma Bank	1,350,573,846	2,792,101,042	3	18.3
2=	Credit Agricole	675,997,446	4,064,828,226	3	9.1
2=	Samba	675,997,446	4,064,828,226	3	9.1
4	HSBC	644,583,333	4,237,000,000	4	8.7
5	National Commercial Bank	631,193,862	3,975,221,058	3	8.5
6	Abu Dhabi Islamic Bank	561,678,136	745,179,136	3	7.6
7	Arab Bank	544,583,333	3,937,000,000	3	7.4
8	Saudi Hollandi Bank	499,583,333	3,712,000,000	2	6.8
9	WestLB	295,000,000	475,000,000	4	4.0
10	Al Hilal Bank	183,500,999	367,001,999	1	2.5
11	Standard Chartered	120,333,333	435,000,000	2	1.6
12=	Bank Al-Jazira	119,083,333	1,429,000,000	1	1.6
12=	Riyad Bank	119,083,333	1,429,000,000	1	1.6
12=	Islamic Development Bank	119,083,333	1,429,000,000	1	1.6
12=	Al Rajhi Banking	119,083,333	1,429,000,000	1	1.6
12=	Saudi Investment Bank	119,083,333	1,429,000,000	1	1.6
17=	Masraf Al Rayan	100,000,000	300,000,000	1	1.4
17=	Royal Bank of Scotland	100,000,000	300,000,000	1	1.4
19=	Arab Banking Corporation	83,333,333	250,000,000	1	1.1
19=	Noor Islamic Bank	83,333,333	250,000,000	1	1.1
21=	BNP Paribas	45,000,000	225,000,000	1	0.6
21=	Gulf International Bank	45,000,000	225,000,000	1	0.6
23=	Deutsche Bank	37,000,000	185,000,000	1	0.5
23=	Mubadala GE Capital	37,000,000	185,000,000	1	0.5
23=	Development Bank of Singapore	37,000,000	185,000,000	1	0.5
23=	Abu Dhabi Commercial Bank	37,000,000	185,000,000	1	0.5
27	Citigroup	13,000,000	13,000,000	1	0.2

LOAN BOOKRUNNERS		(12 Months)		MAR 2010 – MAR 2011	
	Lender	Pro Rata (US\$)	Full Credit (US\$)	Deals	Market Share %
1	Alinma Bank	1,099,879,984	1,099,879,984	1	51.1
2	Abu Dhabi Islamic Bank	378,177,137	378,177,137	2	17.6
3	WestLB	325,000,000	475,000,000	4	15.1
4=	Deutsche Bank	92,500,000	185,000,000	1	4.3
4=	Standard Chartered Bank	92,500,000	185,000,000	1	4.3
6=	HSBC	75,000,000	225,000,000	1	3.5
6=	BNP Paribas	75,000,000	225,000,000	1	3.5
8	Citigroup	13,000,000	13,000,000	1	0.6

ISLAMIC LOANS RAISED		(12 Months)		MAR 2010 – MAR 2011	
	Borrower	Country	Islamic Loan Amount (US\$)		
1	Marafiq	Saudi Arabia	2,283,000,000		
2	Jubail 2 Refinery	Saudi Arabia	1,429,000,000		
3	Arabian Centres	Saudi Arabia	1,099,879,984		
4	Riyadh IPP	Saudi Arabia	616,049,284		
5	Emirates Steel Industries	UAE	367,001,999		
6	Majid Al Futtaim	UAE	310,109,178		
7	Qatari Diar Real Estate	Qatar	300,000,000		
8	Albaraka Turk Katilim Bankasi	Turkey	250,000,000		
9	Ras Al Khaiman Ceramics	UAE	225,000,000		
10	GMMOS	UAE	185,000,000		
11	Emirates Trading Agency	UAE	100,000,000		
12	Gulf Finance House	Bahrain	100,000,000		
13	National Factory for Plastic	UAE	68,067,959		
14	Bukhatir Investment	UAE	50,000,000		
15	Adopen Plastik	Turkey	13,000,000		



ALL DATA AS OF THE 28th MARCH 2011

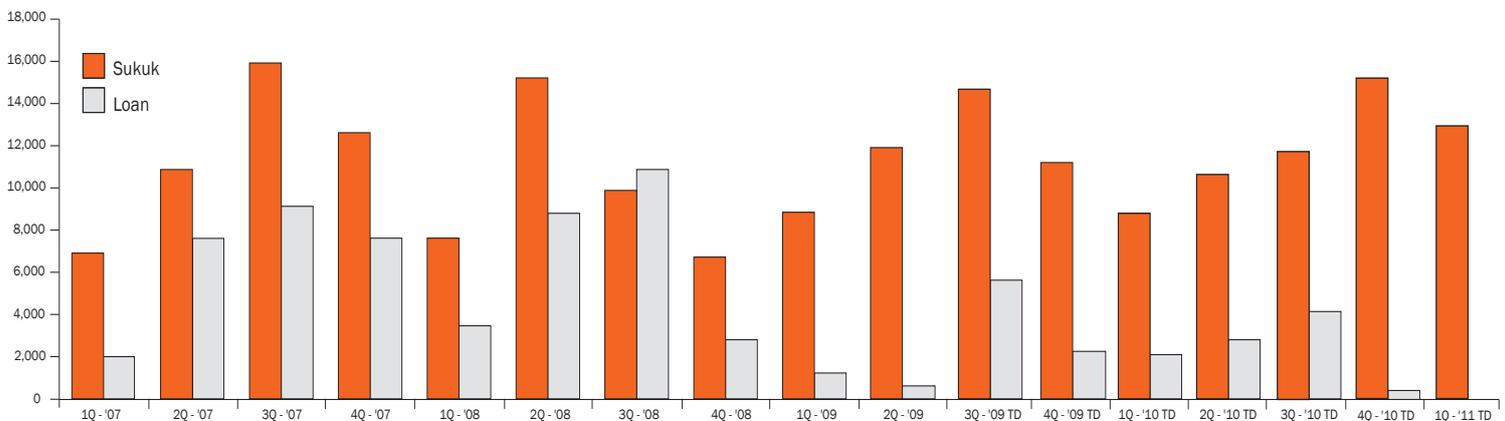
SUKUK BY COUNTRY (12 Months)		MAR 2010 – MAR 2011
Country	Volume Issued	Volume Outstanding
Malaysia	43,113,456,876	23,133,829,973
Indonesia	3,081,386,114	2,489,343,144
Eurobond	3,000,000,000	3,000,000,000
Pakistan	1,594,481,152	1,594,481,152
Bahrain	339,506,020	254,600,340
US	125,000,000	125,000,000
Singapore	74,243,950	74,243,950
Saudi Arabia	-	-
Cayman Islands	-	-
UAE	-	-
Jersey	-	-

LOANS BY COUNTRY (12 Months)		MAR 2010 – MAR 2011
Country	Volume (US\$)	Market Share (%)
Saudi Arabia	5,427,929,268	73.4
UAE	1,305,179,136	17.6
Qatar	300,000,000	4.1
Turkey	263,000,000	3.6
Bahrain	100,000,000	1.4

SUKUK BY INDUSTRY (12 Months)		MAR 2010 – MAR 2011
Industry	Volume Issued	Volume Outstanding
Other financial	35,564,502,458	17,198,837,641
Sovereign	6,998,143,701	6,374,923,831
Agency	2,155,126,200	2,091,725,990
Manufacturing	1,830,126,385	1,093,354,131
Telephone	1,342,937,400	1,342,937,400
Banks	1,256,424,450	1,256,424,450
Transportation	568,432,015	447,280,530
Energy company	577,806,175	32,771,280
Electric power	372,633,000	216,991,000
Consumer goods	364,357,251	364,357,251
Service company	297,585,077	251,895,055
Gas distribution	-	-

LOANS BY INDUSTRY (12 Months)		MAR 2010 – MAR 2011
Industry	Volume (US\$)	Market Share(%)
Construction	2,608,000,000	35.3
Oil & gas	1,614,000,000	21.8
Retail & supermarkets	1,099,879,984	14.9
Utilities	616,049,284	8.3
Financial services	400,000,000	5.4
General manufacturing	367,001,999	5.0
Services	310,109,178	4.2
Real estate	300,000,000	4.1
Chemicals, plastics & rubber	81,067,959	1.1

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



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EVENTS DIARY

DATE	EVENT	VENUE	ORGANIZER
April			
4 th – 5 st	6 th World Halal Forum	Kuala Lumpur	World Halal Forum
10 th – 11 th	6 th Annual World Takaful Conference (WTC 2011)	Dubai	MEGA Events
12 th	Islamic Finance: Making it Real	London	Globe Law and Business
May			
9 th	IFN Roadshow Australia	Melbourne	REDmoney events
16 th – 17 th	7 th Annual Middle East Project Finance Forum	Doha	Fleming Gulf Conferences
June			
8 th	IFN Roadshow Thailand	Bangkok	REDmoney events
July			
7 th – 8 th	IFN Europe Forum	London	REDmoney events
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15 th	IFN Roadshow Hong Kong	Hong Kong	REDmoney events
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