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Conquering complexities

As we enter the second quarter of the year, everyone seems to be toiling away, working through the nitty gritty of small print and detail to formulate and strategize workable solutions, for the beneficial application of Islamic finance in all its facets.

The authors of the reports we bring you this week are no exception. A report by law firm Bakkar Advocates & Legal Consultants/Al Shirkah Sharia Sagl (Switzerland) for one examines the situation in Lebanon from regulation, legislation, tax, securitization to central bank restrictions. While the country has made big strides in the industry with its Islamic banking law in 2004, many more laws are required, especially in Takaful and Sukuk.

The status of neighboring Syria is unearthed in a similar manner by its central bank itself. While the market there is relatively robust, many projects on Islamic finance are still works-in-progress. These include developing instruments to manage liquidity in Islamic banks, frameworks for Shariah governance and audit, and efforts towards standardization.

Fortunately for Syria, Deloitte has generously shared with us in its report critical suggestions for liquidity management. Specific elements which make up the proposed Shariah compliant liquidity management scheme are dissected and appraised, along with recommended approaches to setting up such a system.

Equally, international tax issues do not escape a thorough inspection. Law firm Loyens & Loeff's report encourages the key aspects that should be considered when assessing the treatment of Islamic finance transactions, particularly cross border, while taking us through specific instances across continents.

With the same tenacity, the methods to quantify an Islamic pricing benchmark, and the risks measures associated with the task is brought to light in a case study by Eiger Trading Advisors. The report emphasizes the need for a genuine benchmark for Islamic finance precisely because it would make the whole industry more independent from conventional standards.

Islamic estate planning and wealth management in Singapore and Malaysia are also given a comprehensive review in a report by HTHT Advisory Services, as are the new rules on mergers and acquisitions in Kuwait by legal firm ASAR – Al Ruwayeh & Partners.

This month's report on Dow Jones Islamic Market Indexes recounts the performance of the index throughout March. Despite the recent social and political changes in the Arab world, Dubai's economy seems to be holding strong, attesting to the perception of being the most secure and stable markets in the region.

In other markets, Korea, which has recently faced stiff opposition in passing of a bill related to Sukuk, will soldier on in its quest to have Islamic finance within its shores, if Korea Investment & Securities has its way. Lee Yul Hee, the firm's head of global business development and Islamic finance units, is featured in Meet the Head.

Our IFN reports this week feature Sri Lanka's foray into Islamic investing with the forthcoming Shariah compliant securities list from Lanka Securities and ADL Capital; Al Rajhi Bank which looks set for a good year; Fajr Capital's investment strategy; and convergence of the halal and Islamic finance industries.

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- **Monetary Authority of Singapore** appoints **Ravi Menon** as managing director

AFRICA

Morocco plans Sukuk

MOROCCO: The central bank of Morocco, Bank Al-Maghrib, is in talks with the Professional Grouping of Moroccan Banks on the legal framework for Sukuk issuance.

Abdellatif Jouahri, governor of the central bank, said the discussions are a part of the gradual introduction of Islamic finance products in the country.

The central bank only started to allow banks to provide Islamic financial products in 2007, which have since raised about MAD900 million (US$112 million).

However, it does not issue licences for fully fledged Islamic institutions.

Exponential growth

KENYA: Islamic banks now own 0.9% of total deposit and financing accounts in the country.

According to the Central Bank of Kenya, Gulf African Bank and First Community Bank, both fully fledged Islamic banks, had 58,101 deposit accounts and 2,609 financing accounts as at the end of December 2010.

The two banks' gross assets were KES16.5 billion (US$197 million), with net financing and advances of KES9.2 billion (US$110 million) and deposits of KES13.8 billion (US$165 million).

Njuguna Ndung'u, governor of the central bank said the uptake of Islamic banking is projected to grow exponentially in sub Saharan Africa with Kenya taking the lead.

The central bank's governor Njuguna Ndung'u said the regulator is keen to introduce legal framework on Shariah compliant treasury bills and bonds, and will complete them soon.

Tropical Bank takeover

UGANDA: The central bank, Bank of Uganda, has taken control of Libyan-owned Tropical Bank to protect it from United Nations sanctions, said Emmanuel Tumusiime-Mutebile, its governor.

Tropical Bank was jointly owned by the Libyan and Ugandan governments, with 99.7% held by state bank Libyan Arab Foreign Bank, and 0.3% by Uganda. When Kampala announced a freeze on Libyan-owned assets in Uganda worth US$375 million, control of Tropical Bank was ceded to the Ugandan government.

Tropical Bank will be the first institution to offer Islamic financial products once parliament ratifies legislation to regulate Islamic banking.

Net income soars

EGYPT: Al Baraka Bank Egypt's net income increased by 130% to EGP107.15 million (US$18 million) in 2010.

Total assets rose 18% to EGP13.67 billion (US$2.3 billion), while customer financing climbed 19% to EGP5.27 billion (US$884 million).

Customer deposits increased 19% to EGP11.95 billion (US$2 billion) and shareholders' equity rose 10% to EGP822.5 million (US$138 million).

ASIA

Optimistic investment plans

MALAYSIA: ING Funds is aiming to manage RM500 million (US$165 million) in investments by year end. The firm's current investments is worth RM160 million (US$53 million).

Steve Ong, its CEO said the target is based on the company's stable investment returns over the last five years.

He added that the target would be driven by its ING Shariah Compliant AMP 2 service, expected to be launched soon.

Cash from Islamic instruments

INDONESIA: The finance ministry is planning to issue three, six and 12-month Shariah T-bills, starting from the end of the second quarter, said Dahlan Siamat, director of Islamic finance.

The issuances are aimed at providing short-term financial instruments after the central bank, Bank Indonesia stopped selling its three and six-month SBI debt, on a regular basis to reduce volatile capital inflows.

Meanwhile, the finance ministry is also targeting to raise IDR1 trillion (US$114 million) from a Sukuk auction on the 12th April. Proceeds of the issuance will be used to fix the budget deficit.

Software installed

MALDIVES: Maldives Islamic Bank has deployed Path Solutions' iMAL Islamic banking software to support and integrate its trade finance and retail operations.

The software will provide credit facilities to businesses and individuals under Murabahah, Ijarah and Musharakah as well as trade finance, remittance and ancillary services.

Promising returns

PAKISTAN: Shariah compliant debt funds have posted the best returns in the first quarter as a revival of exports boosted Sukuk sold by the government and agricultural companies.

JS Investments' JS Islamic Pension Savings Fund-Debt and NBP Fullerton Asset Management's NAFA Islamic Aggressive Income Fund made gains of 3.9% and 3.2% respectively. Noor Financial Investment's Meezan Capital Protected Fund-I returned 3%.

Assets under management of these three funds amounted to PKR57 billion (US$670 million).

Developing microfinance

INDONESIA: HSBC Amanah has provided IDR18.5 billion (US$2.1 billion) in financing to Permodalan Nasional Madani to expand its Islamic microfinance portfolio.

The financing will be offered to micro businesses as well as small and medium sized enterprises in Indonesia.

Assets for Sukuk

INDONESIA: The finance ministry is planning to apply for state assets to be underlying assets for Sukuk issuance.

The ministry is currently preparing IDR40 trillion (US$4.6 billion) in underlying assets and will request for an additional IDR30 trillion (US$3.45 billion) soon.

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Dahlan Siamat, Islamic finance director said underlying assets available to Sukuk issuances amounted to IDR10.5 trillion (US$1.2 billion) early this year. However, this number was reduced to IDR7.34 trillion (US$843 million), following the retail Sukuk issuance last month.

Sukuk to fund construction

MALAYSIA: Prime minister Najib Razak said the country is planning to issue a ringgit-denominated Sukuk to finance construction of a mass railway network, as part of its US$444 billion 10-year development program.

The construction is estimated to cost RM48 billion (US$16 billion), making it the country's biggest development project.

US$330 million Sukuk

MALAYSIA: Maybank Islamic has issued its maiden RM1 billion (US$330 million) Tier 2 Capital Islamic subordinated Sukuk.

The Musharakah based Sukuk carried a tenor of 10 years on a 10 non-callable five basis and qualifies as Tier 2 Capital for the purpose of Malaysian capital adequacy regulation. The Islamic bond was rated 'AA+IS' with a stable outlook by Malaysian Rating Corporation.

Proceeds from the issuance will be used for the bank's working capital, general banking, business expansion and corporate purposes.

Sharp rise in Sukuk

MALAYSIA: Global Sukuk issuances in the country have risen to a record high of US$2.9 billion in the first quarter and outstripped issuances from the Gulf, due to Sukuk sales by 11 local companies, a four-fold increase from US$730 million in 2010.

This was spurred by the government's US$444 billion development program.

High target growth

MALAYSIA: Standard Chartered Saadiq (Malaysia) is expecting to achieve a higher growth in revenue this year.

The bank plans to reach this target by focusing on wealth management, providing financing to small and medium sized enterprises, and product enhancements, said Azrulnizam Abdul Aziz, its CEO.

Rules for Islamic finance

SRI LANKA: Sri Lanka is expected to develop specific regulations for Islamic finance this year, said Yvette Fernando, director of bank supervision at the Central Bank of Sri Lanka.

Fernando explained that at present, Islamic commercial banks must comply with regulations based on conventional practices.

Sticking to the original

MALAYSIA: CIMB Islamic has revised an earlier decision to raise the base financing rate (BFR) to 6.35% from 6.3%.

The move comes after the bank announced that its BFR will be increased by five basis points to 6.35%.

This followed the country's central bank, Bank Negara Malaysia's decision to double the statutory reserve ratio requirement to 2%, starting this month.

Nod to capital hike

MALAYSIA: The central bank, Bank Negara Malaysia has granted approval to Bank Kerjasama Rakyat Malaysia (Bank Rakyat) to increase its existing RM2 billion (US$660 million) paid up capital to RM3 billion (US$991 million) in May.

Bank Rakyat is also expected to offer new shares worth RM1 billion (US$33 million) to its cooperative members and the public.

First issuance oversubscribed

MALAYSIA: TSH Sukuk Musyarakah issued a seven-year RM50 million (US$16 million) Sukuk, which was oversubscribed.

The issuance is the first tranche, under an 11-year RM100 million (US$33 million) Islamic medium-term notes (IMTN) program.

TSH Sukuk Musyarakah is a special purpose vehicle, created to facilitate the Sukuk issuance under the IMTN program on behalf of plantation based firm TSH Resources.

Embracing standardization

MALAYSIA: The Malaysian Investment Banking Association members will be adopting the Interbank Murabahah Master Agreement, Corporate Murabahah Master Agreement and Wakalah Placement Agreement for Interbank and Corporate.

These standardized agreements were developed by the Association of Islamic Banking Institutions Malaysia.

New Islamic deposit

MALAYSIA: AmIslamic Bank has launched a Mudarabah Muqayyadah based deposit product, called the AmEnergy Islamic Negotiable Instruments of Deposit (NID-i).

It is a two-year product, which tracks the performance of three energy-themed commodities — oil, soy bean (biodiesel) and sugar (ethanol).

The product is targeted at investors who seek to ride on the energy-themed commodities' growth while protecting their cash from market unpredictability.

This deposit product comes with a minimum investment of RM70,000 (US$23,121), while subsequent investments are in multiples of RM10,000 (US$3,303).

Seeking Gulf cash

PHILIPPINES: The National Commission for Muslim Filipinos wants Gulf investors to take a stake in Al-Amanah Islamic Investment Bank of the Philippines (AAIIBP) to boost the Philippines Islamic banking industry.

According to Datu Tahir Lidasan Jr, its director, Middle East investors can provide the capital which will also help AAIIBP in speeding up the socioeconomic development of the Autonomous Region of Muslim Mindanao.

Dividends declared

PAKISTAN: Al Meezan Investment Management has announced the third interim dividends for Meezan Sovereign Fund, Meezan Islamic Income Fund and Meezan Cash Fund which ended on the 28th March.

Meezan Sovereign Fund's dividends stood at PKR2.10 (2.50 US cents) per unit, while Meezan Islamic Income Fund and Meezan Cash Fund recorded PKR1.75 (2.10 US cents) and PKR1.35 (1.60 US cents) respectively.

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EUROPE

Eyeing entry

TURKEY: Gulf banks are looking to enter Turkey by acquiring banks there, said Adnan Ahmed Yousif, chairman of the Union of Arab Banks.

Adnan, who is also president and chief executive of Al Baraka Banking Group, said the banks include Qatar National Bank and Abu Dhabi Islamic Bank.

Debt repayment soon

UAE: Keith Clarke, chief executive of engineering and design consultancy Atkins, is confident that the company will receive its outstanding debt from Nakheel via Sukuk.

He added that the firm had not encountered problems regarding the debt repayment and expected to receive the Sukuk in the next few months.

New equity fund

UK: F&C Asset Management has launched a Shariah compliant global equity fund, called the F&C Sharia Sustainable Opportunities Fund.

The fund comes with a US dollar share class at an initial size of US$25 million.

It is aimed at achieving long-term capital appreciation of global companies, whose products and operations comply with Shariah principles.

Sukuk pilot test in July

RUSSIA: Tatarstan is planning to become the first Russian state to conduct a pilot test for a Sukuk issuance in July.

The upcoming Islamic bond is estimated to cost between US$100 million and US$200 million.

Addressing tax evasion

UK: HM Revenue & Customs has introduced a new legislation under the country's finance bill to address stamp duty land tax avoidance in commercial property transactions.

To prevent evasion, the law has adopted three measures, including the use of subsales rules, alternative finance relief and rules for exchange of land.

The law applies to both conventional and Islamic real estate deals, effective on the 24th March.

One year Murabahah

TURKEY: Twenty six international banks from 18 countries have provided Bank Asya with a one-year Murabahah syndicated financing worth US$300 million to fund trade financing and financing to small and medium sized enterprises.

The banks include London based Standard Chartered Bank, Bahrain's ABC Islamic Bank, UAE's Noor Islamic Bank and National Bank of Abu Dhabi, as well as 22 banks from the US, Europe, Turkey, Pakistan and the Gulf region.

GLOBAL

Halal food indexes

GLOBAL: The world's first halal food indexes — SAMI (Socially Acceptably Market Investments) Halal Food Index and SAMI Halal Participation Index were introduced at the World Halal Forum in Kuala Lumpur, Malaysia.

The SAMI Halal Food index, initiated by IdealRatings and Thomson Reuters, contains 200 stocks with a market capitalization of US$114 billion, where 95 companies are from Malaysia, while others are from Saudi Arabia, Turkey, Indonesia and Nigeria.

This index will also consider companies from the Organization for Economic Co-operation and Development countries, including the UK, the US, Canada, Brazil, France and the Netherlands, said Mohamed Donia, CEO of IdealRatings.

(See IFN Report on page 12)

Arab infrastructure facility

GLOBAL: The Arab Financing Facility for Infrastructure (AFFI) will be established to raise US$1 billion for joint Arab infrastructure projects, which will include Islamic financing, said the World Bank.

The facility will be set up by the World Bank's International Bank for Reconstruction and Development, its private sector arm the International Finance Corporation, and the Islamic Development Bank.

The AFFI will focus on economic integration by boosting public-private partnerships and regional connections in electricity, rail, road and maritime networks.

MIDDLE EAST

Good response for Sukuk

SAUDI ARABIA: Bank Aljazira has completed a 10-year SAR1 billion (US$267 million) Sukuk issuance, which was oversubscribed by four times.

The Sukuk will be priced at 1.7% for the first five years over the six-month Saudi Interbank Offer Rate. The issuance comprising a hybrid Mudarabah and Murabahah structure was the first debt capital market transaction in the kingdom this year.

HSBC and JPMorgan Chase & Co were the arrangers while legal firms Clifford Chance (Dubai) and Al-Jaadan & Partners Law Firm were the advisors.

Improve corporate governance

UAE: Nakheel has established an audit and technical support department to help the firm fulfill its debt obligations and improve corporate governance.

The department will be headed by Rashid Al Helli, appointed as the department director.

Supervision via SMS

KUWAIT: Kuwait Finance House has implemented a technology system to oversee ATM and deposit machines through short messaging service (SMS).

This allows branches to monitor the machines through a central system allowing them to detect any malfunctions through SMS.

The technology will also enable bank officials to send messages to the central system to determine the availability of cash in the ATMs.

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Newly revised rate

UAE: HSBC has lowered the rate across its variable mortgage products and Amanah Home Finance for new customers in the UAE.

The revised rate on completed property purchases comes at 5.49%. It is available to Amanah Home Finance customers with a deposit of 40% or more.

This offer is applicable for new home purchases and financing buy-outs.

Payment to creditors

UAE: Nakheel has paid AED4.6 billion (US$1.25 billion) in overdue payments to trade creditors.

According to Nakheel, the announcement marks a significant progress in the company's recapitalization plan, following from the initial payments worth AED500,000 (US$136,000) to trade creditors in March last year.

Nakheel is expected to finalize its restructuring with all creditors before the end of the first half of 2011.

Forgoing dividends

BAHRAIN: United Gulf Bank's shareholders have approved the board of directors' decision not to pay dividends for 2010. The bank announced a net profit of US$38.7 million, representing 4.71 US cents per share last year.

Uphold Shariah compliance

QATAR: Masraf Al Rayan has been appointed as transaction manager for Zad Holding's rights issue.

The subscription period for the rights issue, which offers three shares for every 10 shares held at QAR35 a share, is scheduled for the 3rd April until the 17th April. Zad Holdings announced the rights issue in December 2010.

As transaction manager, Masraf Al Rayan will manage the subscription of the rights issue of three million shares.

Sheikh Thamer Mohammed, a member of Zad Holding's board of directors said the selection of Masraf Al Rayan is in line with the company's objectives of maintaining all its financial and commercial transactions in accordance with Shariah.

Profits increase

UAE: Ajman Bank posted a net profit of AED4 million (US$1.1 million) for 2010, as compared to the marginal profit of AED1.1 million (US$299,482) in 2009.

Income rose 84% to AED144 million (US$39 million), while customer deposits climbed 157% to AED786 million (US$214 million).

Total assets increased 68% to AED3.2 billion (US$871 million).

Gaining momentum

JORDAN: Competition in Jordan's Islamic finance sector is heating up with the entrance of Al Rajhi Bank on the 23rd March.

Al Rajhi, Jordan Dubai Islamic Bank (JDIB) and National Bank of Abu Dhabi (NBAD) were awarded Islamic banking licences by the

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Central Bank of Jordan in 2009. Al Rajhi has set up two branches with five more expected this year. JDIB has seven branches while NBAD has one.

The growth of Islamic finance in the country is attributed to increasing religious devotion, economic development, improved availability and accessibility of Islamic products.

However, the sector is faced with a shortage of qualified and trained personnel, and lack of internationally standardized regulations.

Restructuring business

UAE: Emirates NBD is eyeing merger opportunities within the Middle East as it plans to move some revenue generating activities outside the country.

The bank, which is among the financiers with the largest exposure to Dubai World, will also continue restructuring its bad debt, said Rick Pudner, its group CEO.

Umrah financing

UAE: Sharjah Islamic Bank has launched a new zero-profit financing service for Umrah.

Customers can repay the financing cost over a year via monthly installments, without being charged profit, fees or extra costs.

Positive outlook

UAE: The extra yield investors demand to hold Dubai's 6.4% Sukuk over state-owned Tourism Development & Investment Company's 4.9% Islamic bond traded at a 16-month low, after Dubai World signed its final restructuring debt deal.

The spread narrowed 208 basis points or 2.08%, the lowest level since November 2009.

Stake price disclosed

UAE: Dubai Islamic Bank (DIB) has finally disclosed that it paid AED374.7 million (US$102 million) for purchasing a 58.3% stake in Tamweel in November last year.

Coupon distribution

SAUDI ARABIA: Dar Al-Arkan International Sukuk Company has announced that the periodic coupon distribution reached US$6.38 million from the 18th January 2011 until the 18th April 2011.

The distribution is based on a three-month LIBOR rate of 0.30% plus a profit margin of 2.25%.

Closed due to sanctions

UAE: First Gulf Bank has closed its operations in Libya to comply with United Nations sanctions, according to Andre al Sayegh, its CEO.

However, he said the closure will not dampen the bank's plan to expand globally, as it is seeking to upgrade its offices in Qatar and India.

Net loss of US$59.63 million

UAE: Islamic mortgage provider Amlak Finance reported a net loss of AED219 million (US$59.63 million) in 2010, compared with a loss of AED177.37 million (US$48 million) in 2009.

Amlak also booked an impairment charge of AED221.8 million (US$60 million) on its Islamic financing and investment assets.

Loss of advances for investment properties climbed AED81.98 million (US$22.3 million) from AED68.2 million (US$18.6 million).

Staff termination

PALESTINE: The Palestine Islamic Bank has terminated 38 employees from its West Bank and Gaza branches.

The bank based the decision to dismiss staff on Article 41 of the Palestinian Labour Law No 7, which allows termination of employment contracts for technical reasons or loss.

Kastle suite installed

SAUDI ARABIA: Kirnaf Investment and Installment Company, an Islamic financial institution has implemented 3i Infotech's Kastle suite of solutions and business applications integrating its entire IT operations.

The solution is a bilingual, Shariah compliant, web based financing software that covers all business functions of a financing company.

AFRICA

New Takaful offerings in 2011

KENYA: Pan Africa Life Assurance and Cannon Assurance will incorporate Life Takaful products under their respective portfolios this year.

The Life Takaful product is being reviewed by Islamic scholars for approval and will be introduced to the market before the year end.

Cannon Assurance has introduced General Takaful in Kenya, in partnership with First Community Bank.

AMERICA

New Islamic offerings

US: University Islamic Finance Corporation has introduced home and auto Takaful in the country.

The corporation is an Islamic banking subsidiary of University Bank of Ann Arbor, targeting highly educated and wealthy Muslim consumers.

ASIA

No plans for Takaful

MALAYSIA: Standard Chartered (StanChart) Saadiq has no plans to apply for a Takaful license in Malaysia.

Afaq Khan, its CEO explained that the bank currently provides Takaful solutions through tie-ups in different markets.

Presently, Etiqa Takaful is the sole Takaful operator working with StanChart Saadiq (Malaysia) since 2008.

First year goals

MALAYSIA: ING Public Takaful Ehsan is targeting to achieve RM31 million (US$10.24 million) in premiums or contributions within its first year of operation.

The company aims to grow its market share to 10% on the back of projected contributions of over RM800 million (US$264.3 million) by 2015, said Saiful Yazan Ahmad, its CEO.

The company is an alliance between ING Management Holdings (Malaysia) with a 60% equity participation, and both Public Bank and Public Islamic Bank with a 20% stake each.

"We will leverage on our shareholders' strength and distribute our products through Public Bank and Public Islamic Bank's networks," added Saiful.

Premium target

MALAYSIA: Syarikat Takaful Malaysia is expecting a premium income of RM10 million (US$3.3 million) over the next 12 months from its Takaful SME plan.

The plan aims to safeguard the small and medium sized enterprise sectors of light manufacturing, food and beverages, retail, offices and services.

MIDDLE EAST

New Takaful venture

BAHRAIN: Insurance group Bahrain National Holding is looking to venture into the Takaful market.

ASIA

Good start

MALAYSIA: Malaysian Rating Corporation has assigned a 'MARC-1ID'/'A+ID' rating to Delloyd Ventures' RM100 million (US$33 million) Islamic commercial papers/medium-term notes program.

The ratings are based on Delloyd's strong financial profile.

Financially sound

MALAYSIA: RAM Rating Services has reaffirmed the respective 'AAA', 'AA2', 'AAA(bg)' and 'P1' ratings of Al-'Aqar Capital's Class A Islamic medium-term notes (IMTN), Class B IMTN, Class C IMTN and Islamic commercial papers under its RM300 million (US$99 million) Sukuk Ijarah program.

All the long-term ratings have a stable outlook. The ratings are based on the strong financial cashflow, structural features of the transaction and debt service coverage ratios.

The Class C IMTN is enhanced by a bank guarantee by Public Bank.

MIDDLE EAST

Strong backing

BAHRAIN: Fitch Ratings has reaffirmed Gulf International Bank's long-term issuer default rating (IDR) at 'A' and short-term IDR at 'F1'. The long-term IDR comes with a stable outlook.

The ratings were based on support from its main shareholder, Saudi Arabia's Public Investment Fund.

MAYBANK ISLAMIC

MALAYSIA: Muzaffar Hisham has now officially been appointed CEO of Maybank Islamic, confirming a previous IFN Report that he will replace Ibrahim Hassan, who is now president director of Maybank Syariah Indonesia.

Muzaffar recently joined Maybank Islamic with the designation of chief operating officer. He was formerly deputy CEO of CIMB Islamic.

THE SAUDI BRITISH BANK

SAUDI ARABIA: The Saudi British Bank has appointed Mohammad Al Tuwaijri as non-executive board member, replacing Robin Douglas Jones.

Mohammad is also the head of global banking markets and private banking for HSBC in the MENA region.

He was previously the managing director and head of Saudi Arabia in JP Morgan.

LATHAM & WATKINS

GLOBAL: Legal firm Latham & Watkins has appointed six attorneys from its Beijing, Doha, London, Paris, Silicon Valley and Washington DC offices as partners.
They include Benjamin Su and Thomas Vogel who have advised on 144A financings which are related to Sukuk.

MONETARY AUTHORITY OF SINGAPORE

SINGAPORE: The Monetary Authority of Singapore has appointed Ravi Menon as managing director, replacing Heng Swee Keat.

Menon is also the permanent secretary for the trade and industry ministry.

BANQUE SAUDI FRANSI

SAUDI ARABIA: Banque Saudi Fransi has appointed Saleh Abdulaziz Al-Omair as chairman of its board of directors effective on the 2nd April.
Saleh will replace Ibrahim Al-Touq who resigned in March due to health and personal reasons.

KUWAIT FINANCE HOUSE

KUWAIT: Kuwait Finance House has appointed Dr Ojail Al-Nashmi as head of fatwa and Shariah supervisory authority, replacing Sheikh Ahmed Al-Yasseen.

Ojail is also a member of the fatwa authority at the ministry of Awqaf and Islamic affairs.

DUBAI FINANCIAL SERVICES AUTHORITY

UAE: The Dubai Financial Services Authority has extended chief executive Paul Koster's contract to December 2013.

Sri Lanka courts Islamic investing

Sri Lanka's developing Islamic equity market will see some activity this year as two companies, Lanka Securities and ADL Capital, introduce Shariah compliant share lists. The stocks will consist of companies listed on the Colombo Stock Exchange (CSE).

Stock broking firm Lanka Securities launched its LSL Shariah Compliant Securities List on the 23rd March but is still finalizing its component stocks. According to Kosala Gamage, managing director of Lanka Securities, there are currently between 60 and 70 Shariah compliant stocks on the CSE.

Gamage told Islamic Finance *news* that "after the list was launched, the interest among investors rapidly increased. Local fund managers and high net worth individuals along with a few foreign investors have shown keen interest."

As at the 31st December 2010, 241 companies were listed on the CSE, with total market capitalization amounting to LKR2.2 trillion (US$199 million). The equity and capital market recorded a LKR51.8 billion (US$469 million) net inflow of foreign investments in 2010, said the Central Bank of Sri Lanka. The CSE was among the best performing markets last year, gaining 96%.

The Sri Lankan economy is also growing despite having been locked in a 25 year civil war which ended in 2009. The country recorded a GDP of 8% in 2010.

Although still developing, Shariah compliant investing is not new to Sri Lanka's bourse. In 2007, National Asset Management and Amana Capital launched the NAMAL Amana Equity Fund while Amana Capital also teamed up with Dow Jones Indexes to set up the Dow Jones Islamic Market Amana Sri Lanka Index (DJIMSL).

The Namal Amana Equity Fund which had assets of LKR74.9 million (US$678,503) as at the 29th March recorded returns of 48.32% over one year and 30.77% over three years. As at the 1st April, the DJIMSL was valued at 1,817.91 points, up 0.44% from the previous day.

Gamage said while Sri Lanka's Islamic capital market is still in its initial stage, it has "a huge potential to grow". This is due to investors' interest in exposing their portfolios to Shariah compliant instruments.

The LSL Shariah Compliant Securities List will put listed companies through business activity and financial ratio screenings to determine Shariah compliance, with the business activity screening filtering out non-Shariah compliant businesses.

Under the financial ratio screening, compliant companies' total interest and income from non-compliant activities must not exceed 5% of total revenue and the companies' interest bearing debt must be less that 30% of its market capitalization. The companies' accounts receivable, pre-payments and cash must also be less than 50% of its total assets.

The list, which is guided by the AAOIFI standards, will be reviewed weekly to take into account movements in equity prices which may impact companies' compliance to Shariah.

Meanwhile, Islamic finance advisory company ADL Capital is expected to publish its "white list" of Shariah compliant stocks by the end of June this year, said Ishrat Rauff, its managing director and CEO. He said fashion retailer Odel, IT company PC House and energy company Panasian Power are among stocks deemed Shariah compliant. The three companies are also among the newest entrants to the CSE.

In a response to Islamic Finance *news*, Rauff said investor interest for Sri Lanka's Shariah compliant stocks is "quite considerable" from both local and overseas investors, adding that he sees an "extremely positive" outlook for Sri Lanka's capital market.

"The first license was issued for a fully fledged Islamic bank. We ourselves procured a license from the Securities and Exchange Commission of Sri Lanka which would suggest that the regulators are very forward looking," he added. He also highlighted Sri Lanka's rapidly growing economy, overall positive post-war sentiments and the country's outperforming stock market as drivers for the Islamic capital market.

> "Sri Lanka's rapidly growing economy, overall positive post-war sentiments and the country's outperforming stock market are drivers for the Islamic capital market"

Islamic finance is quickly developing in Sri Lanka. In 2005, the government amended the Banking Act 1988 to recognize Shariah compliant banking and in January this year CBSL awarded the first fully fledged Islamic banking license to Amana Bank.

Islamic banking windows are also in operation via government owned Bank of Ceylon's Islamic banking unit and MCB Bank's Islamic banking division while other financial institutions offering Islamic finance services include Lanka ORIX Leasing Company Al-Falaah and LB Finance which also have Islamic banking units.

Yvette Fernando, director of bank supervisions at CBSL, said the central bank intends to devise rules specific to Islamic finance this year. Currently, commercial banks practicing Islamic finance must follow existing regulations governing conventional banking.

Catalysts needed for Al Rajhi Bank's share price

Al Rajhi Bank is expected to be in for a good year in 2011, thanks to the bank's prudent operations and in part to the Saudi Arabia government's economic development initiatives. However while analysts project better profits for the bank this year, its stock listed on the Saudi bourse may require more exciting catalysts to warrant any rating upgrades.

In 2010, the bank's net income remained flat from 2009 at SAR6.77 billion (US$1.8 billion). Income was contributed by a 5.95% year-on-year growth in net financing income to SAR8.86 billion (US$2.36 billion) and a 14% increase in net fees from banking services to SAR1.63 billion (US$434.65 million).

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Al Rajhi's profit for the year was boosted by a 14% growth in the fourth quarter net income to SAR1.67 billion (US$445.3 million) as banking services fees rose 48.2% to SAR415 million (US$110.66 million).

"A relatively better than expected result led us to revise our financial estimates, resulting in a higher net income forecast for Al Rajhi in 2011. We expect the current year results to be driven by both relatively lower impairment charges and improved results from operations," said Global Research (Global).

For this year, Global revised upwards Al Rajhi's net income estimates by 1.7% to SAR7.9 billion (US$2.1 billion). The research house also believes that the majority of Al Rajhi's impairment charges have been accounted for and could come in at SAR1.36 billion (US$363.64 million) this year compared to SAR1.91 billion (US$509.3 million) in 2010.

"Al Rajhi's profit for the year was boosted by a 14% growth in the fourth quarter net income to SAR1.67 billion (US$445.3 million) as banking services fees rose 48.2% to SAR415 million (US$110.66 million)"

In 2009, banks in Saudi Arabia including Al Rajhi were urged by the Saudi Arabian Monetary Agency, the central bank, to make provisions of more than 100% of the value of non-performing loans and financing. This in turn affected their profits. For that year, Al Rajhi booked impairment charges for financing at SAR1.76 billion (US$469.3 million).

A report by Markaz Research revealed that it expects Al Rajhi to return to normal provisioning this year and provisions could fall 25% year-on-year to US$383 million, or 1.1% of total financing. The research house sees Al Rajhi's financing activities growing 7% to US$35 billion and deposits increasing 13% to US$44 billion.

Analysts also expect the Saudi banking sector to recover this year due to economic growth and government spending. The Saudi government announced US$416 billion in spending initiatives, including for infrastructure projects this year.

"In our perspective, project financing for larger scale ventures will be the key catalyst behind Saudi Arabia's credit recovery in the medium-term," said Banque Saudi Fransi's economics team in a report.

The positive environment bodes well for Al Rajhi's operations going forward. However the bank may need further drivers to boost its share price. Global Research sees a target price of SAR78.90 (US$21.04) and has a "hold" recommendation for the stock. Going on its closing price of SAR77.25 (US$20.60) on the 4th April, the shares provide a limited upside of 2.15%.

A factor to look out for however is the bank's growing international expansion. Following its entry into Malaysia in 2006, where it now has 20 branches, the bank also launched operations in Kuwait in 2010, where it has three branches. This year, Al Rajhi has ventured into Jordan, setting up two branches with another five expected.

Furthermore, the bank is sitting pretty on SAR20.20 billion (US$5.40 billion) worth of cash and cash equivalents as at the 31st December 2010, compared to SAR17.78 billion (US$4.74 billion) in 2009. While Al Rajhi has not had a history of making acquisitions, it will be interesting to see if and how it chooses to invest its growing cash pile.

Fajr Capital to make selective investments

Fajr Capital which made its first investment by taking up an undisclosed stake in Bank Islam Brunei Darussalam (BIBD) in March, is on the look out for long-term investment opportunities in financial institutions located in Muslim majority markets.

Responding to Islamic Finance *news* regarding its investment in BIBD, Fajr Capital said, "the firm seeks significant equity stakes and management responsibility in its financial services investments. Outside financial services, we seek to partner with world class asset managers and pursue investments based on strong investment themes."

On why it has only made one investment since its launch in 2009, it said its investment strategy is "well defined and highly selective," with BIBD representing a strong fit with the Islamic investment company's robust criteria. The firm added that, "we have also reviewed dozens of other investment opportunities since our financial year close and in the current economic environment the opportunities you decline are as important as the ones you accept."

Moving forward, Fajr Capital is focusing on a number of potential investments and is open to opportunities in the ASEAN and MENA region. It will also consider investing in other Muslim majority markets with stable economic environments, strong financial services sectors and regulations for Islamic financial services.

While the firm looks for significant equity stakes and management responsibility in financial service companies, it may not require management involvement in investments outside of financial services.

The company also confirmed with Islamic Finance *news*' report last week that its investment in BIBD builds on a pre-existing strategic partnership with the bank. Iqbal Khan, CEO of Fajr Capital and Javed Ahmad, senior executive at Fajr Capital have served on BIBD's board of directors since 2007. Javed Ahmad has also since been appointed managing director of BIBD, with other possible appointments from Fajr Capital to BIBD.

Launched in 2009, Fajr Capital has a US$600 million capital base and is backed by international shareholders including the Brunei Investment Agency, Malaysia's Khazanah Nasional and Abu Dhabi Investment Council. Following its BIBD investment, it has developed a three-year strategy for the Bruneian bank aimed at growing its consumer, corporate and investment banking divisions.

On the outlook for Islamic investments, the firm sees that the fundamental drivers of market attractiveness remain in place despite ongoing volatility and uncertainty in some Muslim majority markets.

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The company added that "key Muslim markets enjoy sustained prosperity and attractive demographics, as well as growing affinity for Islamic financial services. As regulators increasingly recognize and accommodate popular demand for Islamic financial services, the environment for the sector is promising."

Convergence of Islamic finance and the halal food industry

The halal food and Islamic finance industries share a similar economic history and matching aims of providing Shariah compliant products and services. As these parallel industries both represent emerging global market forces, it is only logical that the two should aim for convergence to leverage opportunities from both sides, said speakers at the World Halal Forum in Malaysia.

With only 1% of global assets being Shariah compliant, there is a need for Islamic finance to obtain more halal assets, said Daud Vicary Abdullah, global leader of Islamic finance at Deloitte. He added that investors in the GCC are looking to diversify their exposure to real estate and are now showing growing interest in food security and halal food industry.

While both industries currently enjoy robust growth on a global scale, they remain somewhat separate as two sides of the same coin. Although the halal industry and Islamic finance largely cater to the same market of around 1.6 billion Muslims, penetration rates of the industries differ. The global halal food industry is worth an estimated US$661 billion while total Islamic banking assets are valued at around US$1 trillion. The industries have also been seen to operate separately and should develop an understanding of each other as a starting point for convergence.

"Islamic finance represents liquidity looking for opportunities and the halal industry is the 'opportunity'," said Rushdi Siddiqui, global head of Islamic finance and OIC countries at Thomson Reuters.

On the other hand, the halal food industry presents an opportunity for Islamic funds to stay within Islamic countries. This "inward investing" could in turn lead to greater growth for those countries by leveraging on Islamic finance as a driver in their halal food industries.

Rafe Haneef, executive director and CEO of HSBC Amanah Malaysia, urged halal food companies to take a holistic approach towards halal practices. "You should not just be halal at the front end of your business, confining it to the food production process. The back end, which includes financing, should be halal too," said Rafe.

He explained that instead of only applying halal practices to food production, companies should implement it throughout their value chain including in procuring financing. For example, HSBC Amanah can provide companies with Islamic financing for working capital, trade financing or leasing property and equipment.

On another note, Maznah Mahbob, CEO of AmIslamic Funds Management, said as a fund manager, among the challenges faced was having insufficient halal investment to buy into. Not enough companies utilize Sukuk, she added.
Hence, more halal food companies should raise Sukuk which fund managers can invest in. Companies should also look towards becoming Shariah compliant financially and can do this by increasing the exposure of their debt to Islamic instruments such as Sukuk.

Maznah added that halal companies could pool their individual employee savings or pension funds into a global pension fund for fund managers to invest in.

Morocco – The next Islamic finance destination?

Morocco, sitting on the crossroads between Africa and Europe and sharing the same language and culture with the Arab world, is poised to attract investors and be the next Islamic finance destination.

The central bank of Morocco, Bank Al-Maghrib announced last week that it is working on regulations in collaboration with the country's banking industry group GPBM to introduce Sukuk in the country.

The move comes at a time when Morocco's neighbors have been swamped with socio-revolutionary movements in the MENA region.

Morocco stands out as nearly immune to these uprisings thanks to its King Mohammed VI's efforts for raising public awareness during the past two years about its decentralization plan. In Morocco, for a viable model for sustainability the King has approached the task of promoting both democracy and development, by uniting the two together so that each is advanced by way of the other.

This sets up Morocco at a juncture where it can utilize its stable socio economic base for development of Islamic finance and banking and push towards being at the forefront of the region. In the recent Middle East uprisings, the peace and security situation have thwarted the development of Islamic finance hubs in the region and raised a few eyebrows. Standard & Poor's Ratings Services assigned negative ratings on four banks in Tunisia; two banks in Egypt; two banks and one insurance company in Jordan; four banks and three insurance companies in Bahrain since March.

Islamic banking in Morocco started in late 2007 after the central bank allowed some banks to provide Islamic finance products on the principles of Ijarah, Murabahah and Musharakah. The effort was to enhance the banking base in the country, where only 20% of the population holds a bank account. According to the central bank data, since then, Islamic banks' assets under management have raised about MAD900 million (US$112.4 million).

Bank Al-Maghrib has taken a steady and cautious road to development of Islamic financial products in the country with value added tax on alternative banking products like Murabahah and Ijarah being halved to 10% effective from January last year. Morocco saw the opening of Dar Assafaa, first Moroccan financial institution to market Shariah compliant products exclusively after approval by the central bank on the 13th May 2010.

The potential for Islamic finance is huge in the country as evidenced by a large population of young adults, with an average age of 24 making up over half of the total population. Islamist-leaning Justice and Development Party, the main opposition group in the parliament, expect that developing Islamic banks and other related financial services will help Morocco add up to 2% growth to the past decade's 4% average economic growth rate.

Islamic Banking in Lebanon: Current Regulatory Status and Prerequisites for Future Development

By Mohamad Bakkar

It is clear that the Islamic banking industry in Lebanon is still in its infancy, but the market has witnessed the creation of several Islamic banks since February 2004 following the introduction of a new law nº 575 allowing Islamic banks to operate in the country.

Four Islamic banks are currently operating in Lebanon — Al Baraka Bank, Arab Finance House, Lebanese-Islamic Bank, a unit of Credit Libanais, and BLOM Development Bank, a unit of BLOM Bank. All four focus mostly on retail banking and concentrate on consumer finance. Recently, the central bank issued a license for a fifth Islamic bank, Baghdad based AL-Bilad Islamic Bank but has not started operations yet.

Lebanon's regulator bodies have promulgated a set of laws and circulars to frame the Islamic financial industry within the general Lebanese banking system, its regulations and characteristics.

Current regulatory status of the industry

The law nº575 stipulates the conditions and practices of Islamic banking, ensuring that international standards and capital adequacy ratios are met and all banking operations adhere to international accountancy standards and risk management directives.

The circulars promulgated by the central bank in defining each Islamic banking operation — Murabahah, Musharakah, Islamic collective investment schemes, Ijarah and Ijarah wa Tamalluk, Mudarabah, Salam and Istisnah — complete the legal framework of Islamic banks.

In commenting the Islamic banking law and its circulars, we need to also assess the application of the securitization law nº705 of 9-12-2005 and the fiduciary law nº 520 of 6-6-1996.

The law defines securitization as *"the financial operation resulting from the originator's assignment of assets belonging to it, to a legal entity created for that purpose according to the provisions of this law, with or without the help of a financial intermediary".*

It also defines the SPV (special purpose vehicle) or mutual fund and details its *modus operandi.* The SPV can be either a fund or any other legal entity, Lebanese or foreign, approved by the central bank of Lebanon, Banque du Liban (BDL). The law solves the delicate question regarding the 'true sale' of assets to the SPV by the originator. The law protects against 'claw back risk': the transfer of assets cannot be considered void and consequently be reclaimed in case of bankruptcy. The SPV under this securitization law benefits from a "stand alone" nature and status in opposition to its status in the fiduciary law.

Unique in the MENA and GCC regions, the Lebanese fiduciary law, promulgated in 1996, was inspired by the fiduciary laws of Luxembourg, Switzerland and Belgium. This unique feature of the Lebanese financial industry, not present at all in any country in the region, has several applications in the domain of Islamic finance and Islamic securitization.

It is clear that Islamic securitization is possible through these enacted laws, as long as the operations and transaction comply with the Shariah.

Lebanon can play a major role in the securitization market, and particularly the Islamic securitization market. The issue to be addressed is the investment rating of Lebanon. Still, Lebanon is not yet experiencing a 'gold rush' phenomenon on this new industry that is already regulated.

What is the real problem impeding the newborn financial industry to boom and add value to the national economy?

Prerequisites for future development

Lebanon's Islamic finance industry has failed to garner 1% of total banking assets due to many barriers and restrictions in the regulatory framework:

Legislative barriers

1) The law nº575 on the establishment of Islamic banks in Lebanon links the unrestricted accounts deposits' revenues to the overall Islamic bank's performance revenues. This fact creates several restrictions to the investors as well as to the Islamic banks.

2) The law nº 575, article 3, requires the investment deposits maturity to be of a minimum of six months.

3) 50% of the assets of a bank should be in investments in Lebanon. If the bank owns a real asset through these investments, it has six months to liquidate. It looks quite implausible that an Islamic bank acquires a real estate asset with the limitation of having to liquidate it in six months.

Tax barriers

1) The operation of Ijarah Muntahia bi Tamlik, under the current tributary and tax law of Lebanon, toils under double stamping. The issue of double taxation affects also the transfer of assets in a securitization operation. It is noted that the government has authorized a levy of 50% on the transfer tax in case of securitization.

2) Stamp duty in Lebanon on each contract is set at 3%. All the instruments and operations of an Islamic bank require at least one contract to be signed by both parties. This is mandatory by Shariah. Some Islamic financial operations would require more than one contract; hence the 3% contract stamp tax will affect every contract. This needs to be addressed by the Lebanese government. It is clear that the taxation law of the country does not favor the practical operations of an Islamic bank instruments and products.

3) Murabahah contracts involve the purchase of a real asset by the bank, its resale to the client with a mark-up and subsequent deferred payments by the client. Value added tax (VAT) in Lebanon is 10% over invoiced value. The Islamic bank is incurring in payment of 10% VAT over the cost price of the asset and later is collecting 10% VAT from the client over the final (cost + mark-up) price of the same. The client is

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Islamic Banking in Lebanon: Current Regulatory Status and Prerequisites for Future Development (continued)

paying an extra VAT over the mark-up value of the bank. This over cost can be substantial and is a competitive barrier that the conventional bank enjoys over an Islamic bank, since the former is not involved in a purchase sale operation.

Securitization law limitations

1) The law limits the nature of the originator (eligible sellers of assets to the fund) to physical persons or corporate entities. Hence, a fund or a trust cannot be an originator, limiting the market opportunity and curtailing the eminent need to reach a scale economy in this industry, to reduce the costs.

2) The definition of assets allowed to be transferred excludes the de facto transfer of rights and risks of the same to the fund, that is, the risks related to the holding of all types of assets, movable and fixed and any obligations carried out by third parties along with the present and future cash flows.

3) The law requires the set up of a third party depositor, which pre-empts the cost feasibility of small deals.

Central bank restrictions

1) All banks in Lebanon, including Islamic banks are required to deposit at the central bank a reserve of 15% of their weekly average volume of deposits accounts. The central bank remunerates these reserve deposits with an interest that the Islamic banks will not use, as per the Shariah principle of not using interest. These revenues, while engrossing the profits of the conventional banks are donated to charity by Islamic banks. BDL has to consider remunerating the Islamic banks reserve deposit according to Shariah, investing these reserve deposits in an Islamic Shariah instrument so that the revenues will be accepted by the Islamic banks.

2) The capital of the Islamic bank, at times up to US$100 million is deposited at the central bank without any remuneration. This unproductive frozen capital increases the stress over the revenues of the Islamic bank, obliging it to venture in operations maximizing the profit of all portfolios to cater for this 0% non-productive deposit.

3) The central bank is also the creditor of last resort to the banking institutions of the country. Liquidity needs for short periods are answered by overnight advances interbank's and from the central bank as a last resort. The Islamic banks cannot use this facility since those cash advances are remunerated with an overnight interest rate that the Islamic banks cannot accept to pay. The Islamic banks in Lebanon are left with no other alternative but to remedy their cash needs by selling commodities to a peer bank in a Murabahah operation, with all the limitations of producing up to four contracts to ensure the Shariah legal aspect of the same. In fact, Islamic banks in Lebanon do not use this operation for short periods of liquidity needs.

We know that the central bank is currently working to amend the 2004 law that allowed the Islamic banks to operate in Lebanon but in our opinion the Lebanese legislator body and the central bank should consider the introduction of a Sukuk law and Takaful law, to complement the Islamic financial instruments in the Lebanese market place.

In fine, Lebanon which is a regular issuer of non-Islamic bonds should plan to issue a Sukuk to boost the Islamic finance industry. Lebanon was the financial centre of the Middle East. Will Lebanon be the Islamic financial centre of the Middle East?

Optimism remains our leitmotiv for the future.

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Mohamad Bakkar worked on a Murabahah real estate operation in Italy and is currently working on establishing an Islamic fund for a private bank In Switzerland. He has organized many Islamic finance conferences and participated as a speaker in Geneva, Milan, Kuala Lumpur and Kazan.

Kuwait's New Merger and Acquisition Rules

By Hossam Abdullah

Kuwaiti Law No 7 of 2010 on capital markets (CML) and its executive bylaws (the Executive Regulations) issued on the 13th March 2011 creates a new capital markets regulatory authority (CMA) and regulates all securities activities in Kuwait, including the securities exchange, investment funds, and regulated entities involved in securities activities.

Overview

Chapter 7 of the CML regulates certain rules governing acquisitions and protecting minority shareholders' rights in acquisition transactions. An acquisition offer is defined in the CML as an offer, attempt or demand of ownership for:

(i) all of the shares of a target or shares of a specific class (excluding shares already owned by the offeror, its affiliates, or alliances on the date of the offer); and

(ii) all the other shares in the target that are offered to all other shareholders as a result of the offeror (its affiliates or alliances) acquiring control of the board of directors due to ownership of a majority of the target's shares.

The Executive Regulations sets the rules applicable to the acquisition of the Kuwait Stock Exchange (KSE)-listed companies by an acquirer of 5% and 30% of the listed target. An acquirer of more than 30% of a target is required to submit a mandatory offer for all the remaining shares in the target.

> "The CML expressly provides for the right of minority shareholders to contest decisions of the board of directors and/or the target's general assembly if the decision harms the minority"

The CML expressly provides for the right of minority shareholders to contest decisions of the board of directors and/or the target's general assembly if the "decision harms the minority" and gives them the opportunity to submit complaints to the CMA within 15 days from the decision of the board of directors or the general assembly of the target.

If the CMA fails to reply to the complaint of the minority shareholder within 20 days, then the complaint is deemed to be rejected and the minority shareholder can then appeal to the new Stock Exchanges Court.

A violation by any person of the provisions of Chapter 7 of the CML may render such person(s) liable to a minimum fine of KWD5,000 (US$18,000), or a maximum fine of KWD100,000 (US$360,000) or 20% of the value of the "violated shares", whichever is higher.

New M&A rules under Chapter 7 of the Executive Regulations

It is a requirement that the prior approval of the CMA be obtained in order for an acquisition offer to be made to a target. The board of directors of the offeror and that of the target are obliged to act in the best interests of their respective shareholders. An offeror is obliged to treat as equal all shareholders of the target.

In addition, neither the offeror nor the target (or any of their respective advisors) are permitted to provide information to only some shareholders without equally making such information available to all remaining shareholders during the acquisition offering period or while studying the acquisition offer.

The board of directors of the offeror and the target must provide their respective shareholders, at least 15 business days before the general assembly meeting, with sufficient information and recommendations in respect to the acquisition offer so as to enable the shareholders to decide whether or not to accept or reject the acquisition offer.

The board of directors of the offeror and the target must consult a (CMA-licensed) independent investment advisor in respect to the acquisition offer, and the shareholders of the offeror and the target should be informed of the details of the consultation with such investment advisor.

Before starting acquisition procedures, the offeror must obtain the approval of the competition protection authority (CPA) established pursuant to the Kuwait Competition Law No 10 of 2007. Acquisitions which result in an increase in "control" over an economic sector/market must obtain the prior approval of the CPA. Control means as possessing, directly or indirectly, more than 35% of local market share in the relevant economic sector/market.

Any acquisition offer document must specify whether or not there exists any agreement or arrangement between the offeror (or its affiliates or alliances) and any director of the target or any of its shareholders.

In addition, the offering document include a statement which highlights whether or not any shares to be acquired in the target shall be transferred to any third party along with necessary details on any shares already held in the target by such third party.

The CMA may approve or reject the acquisition offer within a maximum period of 10 business days from the date of receiving the offering document. Where the acquisition offer is approved by the CMA, the acquisition offer document must be published by the offeror pursuant to the instructions of the CMA.

Directors' recommendation

Directors of the target must furnish to the CMA (within a period of seven business days from the date of receiving an acquisition offer) its views and recommendations which it intends to provide to the

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Kuwait New Merger and Acquisition Rules (continued)

shareholders of the target. The recommendations of the target's board of directors may only be made available after first obtaining the approval of the CMA.

In addition, directors of the offeror or target, whether in a meeting of the board or of any committee reporting to the board, or in the shareholders general assembly, may not vote in respect to any decision or issue concerning an acquisition offer where such decision or issue will trigger a conflict of interest on the part of any such director, a relative in the first degree or spouse. This includes the instance where such director is a shareholder in the offeror and also a director of the board of directors or a manager in the target, or vice versa.

> "Acquisitions which result in an increase in "control" over an economic sector/market must obtain the prior approval of the CPA"

Mandatory offers

Any person (or affiliates or alliances) who within 30 days from the date of obtaining an ownership interest (whether directly or indirectly) in excess of 30% of the total shares of a KSE-listed company, must make a mandatory offer — that is, submit an offer to purchase the remaining shares of the KSE-listed company in accordance with the provisions of the CML and instructions of the CMA.

This shall not apply in the instance of any takeover which the CMA decides to exempt in consideration of public interest and the interest of the remaining shareholders of the KSE-listed company in question. Any such exemption will be issued in writing and the reasons for such exemption will also be provided.

A mandatory offer must be submitted directly to the shareholders of the target and there will be no requirement to hold a general shareholders meeting to consider the mandatory offer. The mandatory offer must be a cash offer (as opposed to an acquisition offer which, importantly, also provides for payment by way of shares as consideration) and must not be lower than the average price-per-share of the target (as determined by the exchange) for a period of six months before the date of submission of the mandatory offer. It is not clear from the Executive Regulations whether the six-month average price-per-share of the target will be a simple average or a weighted average.

Insiders

With the exception of the acquisition offer of an offeror, no other person who holds confidential information that may affect the share price of the target may engage in any transaction concerning the shares of the target or the offeror during the period extending from the date of commencement of the initial negotiations until such time as the disclosure of the initial negotiations or the acquisition offer.

In addition, any person who holds confidential information in the target is prohibited from making any recommendations to a third party who holds a share interest in the target.

Standstill on trading in the target

An offeror (including its affiliates or alliances) is prohibited during the offering period from selling any shares in the target unless the prior approval of the CMA has been obtained. Any sale of shares in the target by an offeror may not be less than that which has been offered in an acquisition offer.

It should also be noted that neither the target nor any of its affiliates or alliances are permitted during the offering period to purchase any shares in the target. In the event where an offeror or any of its affiliates or alliances purchases shares in the target during the offering period in excess of the price of the acquisition offer, then the offeror shall be obliged to increase the acquisition offer to an amount equal to that paid by the offeror for the shares so purchased by the offeror.

> "Any sale of shares in the target by an offeror may not be less than that which has been offered in an acquisition offer."

Restrictions on corporate actions

Directors of a target are not permitted during an offering period, or during the period of initial negotiations, to undertake any of the following (except after obtaining a shareholders general assembly approval or pursuant to an existing contractual agreement):

(i) issuing any authorized unissued shares;

(ii) issuing or granting options relating to any unissued shares;

(iii) creating or permitting to be created or issued any securities convertible to shares or rights of subscribing to shares;

(iv) disposing of or approving disposal of any assets of significant value;

(v) concluding any contracts outside the scope of the normal business of the target;

(vi) taking any action or procedure relating to the target in such a manner that may result in rejecting the acquisition offer or depriving the target's shareholders from the opportunity of taking a decision in relation to the acquisition offer; or

(vii) encumbering the target with any significant financial liabilities.

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Dow Jones Islamic Market Indexes in March: Steering through the Turmoil

By Gérard Al-Fil

With much of the Arab world undergoing transformational social and political changes in 2011, Dubai and its economy appear to be beneficiaries of the perception that the sheikhdom is one of the most secure and stable markets in the region.

For the month ended the 29th March, the Dow Jones DFM Titans 10 Index, which measures the performance of the 10 largest Shariah compliant stocks listed on the Dubai Financial Market (DFM), has posted the largest gain of 11.60% within the Dow Jones Islamic Market Index (DJIM) family.

> "Dubai — known as a hub for trade, banking and tourism seems to have been rewarded by investors for its stability."

The UAE has not experienced any civil unrest, and Dubai — known as a hub for trade, banking and tourism seems to have been rewarded by investors for its stability. Dr Nasser Saïdi, chief economist of the Dubai International Financial Centre, noted that, with the largest free port in the region, Dubai has reaped the benefits of expanded manufacturing production from countries such as China.

Also helping was the re-opening of the Egyptian Exchange, after a seven-week shutdown, which boosted the global investment community's faith in Middle Eastern business and finance.

Nevertheless, risks remain. "Continuing rising oil prices, which currently trade at a 29-month high at US$104 per barrel (light crude), could harm production, trade activity and consumption as in mid-2008," said Dr Farouk Soussa, Citigroup's Dubai-= based chief economist for the Middle East.

The civil war in Libya, which triggered a military air campaign from NATO-forces against the nation's leader, Colonel Muammar Gaddafi, has lifted energy prices and global uncertainty. Moreover, the earthquake and nuclear disaster in Japan weighed on investors' sentiment, resulting in the DJIM Japan Index posting the DJIM's largest decline in March (7.11%); in comparison, the global bellwether index, the Dow Jones Industrial Average, increased by 0.43% during the same period.

In the sector indexes, the DJIM Utilities Index rose 2.16% (the month's top gainer), while the DJIM Technology Index fell 2.67% (the group's worst performer). The Dow Jones Citigroup Sukuk Index, the DJIM composite for Islamic bonds, gained 0.72%.

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Asia: Performance of Dow Jones Islamic Market versus Conventional Dow Jones Indexes

Dow Jones Islamic Market Indexes			Conventional Dow Jones Indexes		
Index Name	Index Close 29th March, 2011	MTD 2011	MTD 2011	Index Close 239th Marc, 2011	Index Name
DJIM Asia/Pacific Index	1499.20	-0.30%	-3.11%	137.48	DJ Asia/Pacific Index
DJIM China Offshore Index	3574.95	6.27%	3.75%	4382.07	DJ China Offshore 50 Index
DJIM Hong Kong Index	1534.84	-2.03%	-0.07%	465.88	DJ Hong Kong Index
DJIM India Index	1902.49	6.75%	7.95%	1959.70	DJ India Total Stock Market Index
DJIM Indonesia Index	1469.59	1.35%	5.99%	213.96	DJ Indonesia Index
DJIM Japan Index	1088.31	-7.11%	-11.12%	85.38	DJ Japan Index
DJIM Malaysia Index	1774.88	5.09%	3.48%	261.02	DJ Malaysia Index
DJIM Pakistan Index	15322.67	5.54%	3.78%	652.00	DJ Pakistan Total Stock Market Index
DJIM Philippines Index	1606.74	0.50%	5.34%	245.34	DJ Philippines Index
DJIM Singapore Index	1292.34	2.79 %	2.11%	318.84	DJ Singapore Index
DJIM South Korea Index	1028.49	7.87%	7.95%	304.20	DJ South Korea Index
DJIM Sri Lanka Index	2379.19	-2.55% -	4.47%	3003.77	DJ Sri Lanka Total Stock Market Index
DJIM Taiwan Index	5193.67	0.99%	0.68%	179.30	DJ Taiwan Index
DJIM Thailand Index	1893.50	4.68%	5.72%	151.29	DJ Thailand Index

Monthly report on the performance of the Dow Jones Islamic Market Indexes

London (30th March, 2011) — Based on the close of trading on the 29th March the global Dow Jones Islamic Market Titans 100 Index, which measures the performance of 100 of the leading Shariah compliant stocks globally, dropped 1.22% month-to-date, closing at 2313.44. In comparison, the Dow Jones Global Titans 50 Index, which measures the 50 biggest companies worldwide, posted a loss of 1.80%, closing at 184.04.

- The Dow Jones Islamic Market Asia/Pacific Titans 25 Index, which measures the performance of 25 of the leading Shariah compliant stocks in the Asia Pacific region, decreased 1.32%, closing at 2127.99. The Dow Jones Asian Titans 50 Index, in comparison, posted a loss of 6.13%, closing at 139.75.

- Measuring Europe, the Dow Jones Islamic Market Europe Titans 25 Index, which measures the performance of the 25 of the leading Shariah compliant stocks in Europe, closed at 2237.48, a loss of 2.28%, while the conventional Dow Jones Europe Index loss 1.54%, closing at 284.40.

- Measuring the performance of 50 of the largest Shariah compliant US stocks, the Dow Jones Islamic Market US Titans 50 Index decreased, closing at 2364.05. It represents a loss of 0.77%. The U.S. blue-chip Dow Jones Industrial Average increased 0.43%, closing at 12279.01.

Asia: Performance of Dow Jones Islamic Market versus Conventional Dow Jones Indexes

Middle East and GCC Regions Dow Jones Islamic Market Indexes versus Conventional Dow Jones Indexes

In March, the Dow Jones DFM Titans 10 Index, measuring the 10 largest and most liquid stocks listed on the Dubai Financial Market, closed at 2103.79. It is a gain of 11.60% month-to-date.

The Dow Jones Islamic Market Kuwait Index posted a loss of 0.45%, closing at 911.40. Its conventional counterpart index, the Dow Jones Kuwait Composite Index, was down, closing at 234.37. It represents a loss of 2.87%.

The Dow Jones Islamic Market Turkey Index closed at 3776.50, a performance gain of 6.10% month-to-date, while the Dow Jones Turkey Total Stock Market Index closed at 1361.64, a gain of 6.71%.

Measuring the performance of Shariah compliant stocks of five of the GCC member states, the Dow Jones Islamic Market GCC Index closed at 1289.38, a gain of 0.45%. The conventional Dow Jones GCC Index was up 1.29%, closing at 1458.24.

Other Markets and Asset Classes

In March, the Dow Jones Islamic Market BRIC Equal Weighted Index increased 3.11%. It had a closing value of 2303.42. By comparison, the Dow Jones BRIC 50 Index closed at 663.00, a gain of 2.63% month-to-date.

The Dow Jones Citigroup Sukuk Index, which measures the performance of global bonds complying with Islamic investment guidelines, increased 0.72%, closing at 127.32.

The Dow Jones Islamic Market Sustainability Index, which measures sustainable practice business of companies respecting the Shariah laws, decreased 1.23%, closing at 2527.93. The conventional Dow Jones Sustainability Index, loss 1.81% with a closing value of 1085.83.

Global March 2011 Industries Winners and Losers

The three best performing Dow Jones Islamic Market Industry Indexes were Utilities, Financials and Oil & Gas with performances of 2.16%, 1.65% and 0.56%, respectively. The Dow Jones Islamic Market Technology, Dow Jones Islamic Market Basic Materials and Dow Jones Islamic Market Health Care indexes were the three worst performing industry indexes with performances of 2.67%, 0.99% and 0.62%, respectiv ely.

The Dow Jones Islamic Market Indexes were introduced in 1999 as the first indexes intended to measure the global universe of investable equities that pass screens for Shariah compliance. With more than 100 indexes the series remains the most comprehensive family of Islamic market measures and includes regional, country, and industry indexes, all of which are subsets of the Dow Jones Islamic Market (DJIM) Index. An independent Shariah supervisory board counsels Dow Jones Indexes on matters related to the compliance of index eligible companies.

Economy Characteristics for Islamic Banks in Syria

The Syrian economy is characterized by a diversified sartorial where agriculture constitutes about 25%, industry and mining 30%, and other sectors 45%, as well as an abundance of raw materials — and a volume of population where nearly half are under the age of 25, thus providing significant labor.

The three continents of Asia, Africa and Europe port in central Middle East on the Mediterranean via Latakia and Tartous and other ports in neighboring countries like Beirut.

In addition to its strategic location, the Islamic identity of the Syrian community provides an attractive environment for Islamic banking to finance tools for diversification of risk and greater profit surplus, especially in the presence of new investment opportunities in all economic sectors.

The law regulating Islamic banks in Syria

Legislative Decree No 35 for 2005 was issued in Syria, considered to be advanced compared to many similar legislations in countries which have experienced Islamic banking in terms of being comprehensive and in its treatment of obstacles facing Islamic banking, taking into account the nature of Islamic banking and the differences between it and conventional banking.

The law allows the Central Bank of Syria (CBS) to oblige Islamic banks to submit financial statements in accordance with accounting standards by the AAOIFI. So the central bank under this law shall set regulations governing the operation of Islamic banks, taking into account supervision standards of Islamic banks issued by the Islamic Financial Services Board (IFSB).

The law also allows CBS, in the framework of regulating its relationship with Islamic banks, to open accounts, grant funding and issue governmental financial instruments, in accordance with Shariah rules, via buying and selling with entities under its supervision.

Role of regulatory authority in Syria

The regulatory authority in Syria, after issuing the said Act, has taken several measures in order to create the favorable environment for Islamic banks and to standardize practices in order to ensure the stability of this sector. The measures are as follows:

1. Create a separate division within the banking supervision department to supervise Islamic banks with qualified staff.

2. Oblige Islamic banks with accounting standards issued by the AAOIFI .

3. Oblige Islamic banks to follow prudent corporate governance standards and practices, via issuing a guide for the corporate governance of Islamic banks based on principles of the Organization for Economic Cooperation and Development. These principles form the basis of standards issued by the Basel Committee, AAOIFI and IFSB, including the creation of frameworks to activate a Shariah governance system and protection of investment account holders' rights and to achieve transparency.

- Oblige Islamic banks to put in place a robust system for Shariah governance. In this regard, the regulatory authority did the following:
- Identified the criteria to be fulfilled by the Shariah supervisory boards of the banks including their independence, their relationship with bank and approval on appointments by the regulatory authority
- Identified the role of the Shariah supervisory boards in fatwa, Shariah auditing and its mechanisms, in particular issuing annual reports to shareholders which indicate the extent of bank's adherence to the provisions and rules of Shariah
- Oblige operating Islamic banks to establish a separate department for Shariah internal audit in accordance with regulations specified in the corporate governance guide which formulate powers and responsibilities of the department in accordance with standards issued by AAOIFI

4. Coordinate and harmonize fatwa opinions issued by the Shariah supervisory boards of Islamic banks via the work of the Supreme Shariah Advisory Board affiliated to the regulatory authority and its monitoring of fatwas; and unify service and product contracts of Islamic banks in accordance with Shariah standards issued by AAOIFI. On the other hand, these contracts shall be subject to the prior approval of the regulatory authority. This is a preliminary in unifying Shariah rules.

Hence, regulations of Murabahah and Ijarah have been issued. Soon, regulations of banking services (Letter of credit, Letter of guarantee and cards) shall be issued in addition to regulations of Mudarabah contracts governing the relationship of the bank with depositors and those related to priority of investing funds and the allocation of expenses, revenues and foundations of distributing profits between bank and depositors.

In the pipeline

1. Develop the appropriate instruments and modes to manage liquidity in Islamic banks, and achieve Islamic banks' participation in financing infrastructure projects.
2. Develop the appropriate frameworks to deposit insurance in Islamic banks.
3. Complete the appropriate frameworks to activate a sound system for Shariah governance at banks in all aspects, in particular the function of Shariah compliance of Shariah internal audit.
4. Develop an appropriate mechanism to unify Shariah rules of Islamic banking in Syria.
5. Adopt standards issued by the IFSB related to capital adequacy, risk management and disclosure requirements to enhance transparency and market discipline.

The magnitude of Islamic banking in Syria

Despite their recent start, Islamic banks in Syria could achieve great steps and become key players in the country's banking market. Currently three Islamic banks operate in Syria, in addition to others waiting approval on their licensing applications.

Indicators show the ability of Islamic banks to gain the trust of customers and attract funds from outside the banking system. Despite the establishments of Islamic banks in the last quarter of 2007, the volume of deposits amounted to about SYP81 billion (US$1.74 billion) at the end of 2010, amounting to 15% of private banking sector total deposits.

The writer is attached to the Islamic banking division, banking supervision department at the Central Bank of Syria.

Liquidity Management in Institutions Offering Islamic Financial Services

By Daud Vicary Abdullah

Having good liquidity management is a key prerequisite for sustaining financial stability and helping to alleviate any liquidity shortage.

As Islamic finance is moving to being part of the global interconnected financial system, financial markets across jurisdictions become more connected and economies become interlinked. Simply, joining up the dots is becoming more important. The lack of a global Islamic interbank market and liquidity management scheme has, according to some Islamic bankers, hampered the systemic development of the Islamic finance industry.

After the consequences of the global financial crisis, a renewed effort has been made to come up with a mechanism that is global, effective, and efficient as well as Shariah compliant. Regulators, industry organizations and market players have all stressed the urgent need for a global Islamic interbank market and a liquidity management scheme.

Challenges and issues

Liquidity management lies at the heart of confidence in Islamic financial institutions. Customers must be confident they can withdraw their deposit when they wish. If the ability of the bank to pay out on demand is questioned, all its business may be lost overnight.

The importance of liquidity transcends the individual institution, since a liquidity shortfall within any institution may invoke systemic repercussion causing harm to the whole financial stability of a country.

A globally accepted Shariah compliant liquidity management scheme Vital for the development of the industry, creating such a scheme is challenging due to differing interpretations of Shariah rulings on financial matters across jurisdictions, which have led to differing methods of structuring or packaging financial instruments and the non-validity or non-recognition of some contracts or terms of practice in certain jurisdictions.

The process of harmonization and standardization of transactions across and within borders must be comprehensive. Shariah differences need to be resolved and a common design agreed among central banks. Consensus in fatwas may be overcome by the centralization of Shariah rulings in a central Islamic authority such as the Islamic Fiqh Academy of the Organization of the Islamic Conference. Furthermore, research entities such as IRTI and ISRA can collaborate. Ijtihad can also be the final option.

A robust cross border liquidity market and infrastructure

Without adequate cross border liquidity market and infrastructure, Islamic banking institutions have poor management of cash, arising from the lack of a comprehensive Islamic interbank market with highly rated short-term tradable instruments.

Without access to such a market, it is difficult for these institutions to manage their short-term liquidity needs; requiring them to maintain a larger amount of liquidity compared to their conventional counterparts. In Malaysia, such markets exist and have been the key to facilitating liquidity management.

Coordinated effort across jurisdictions is required to promote a harmonized approach in designing and developing Islamic money market instruments to contribute to the development of regionally and internationally integrated Islamic money markets. However, priority

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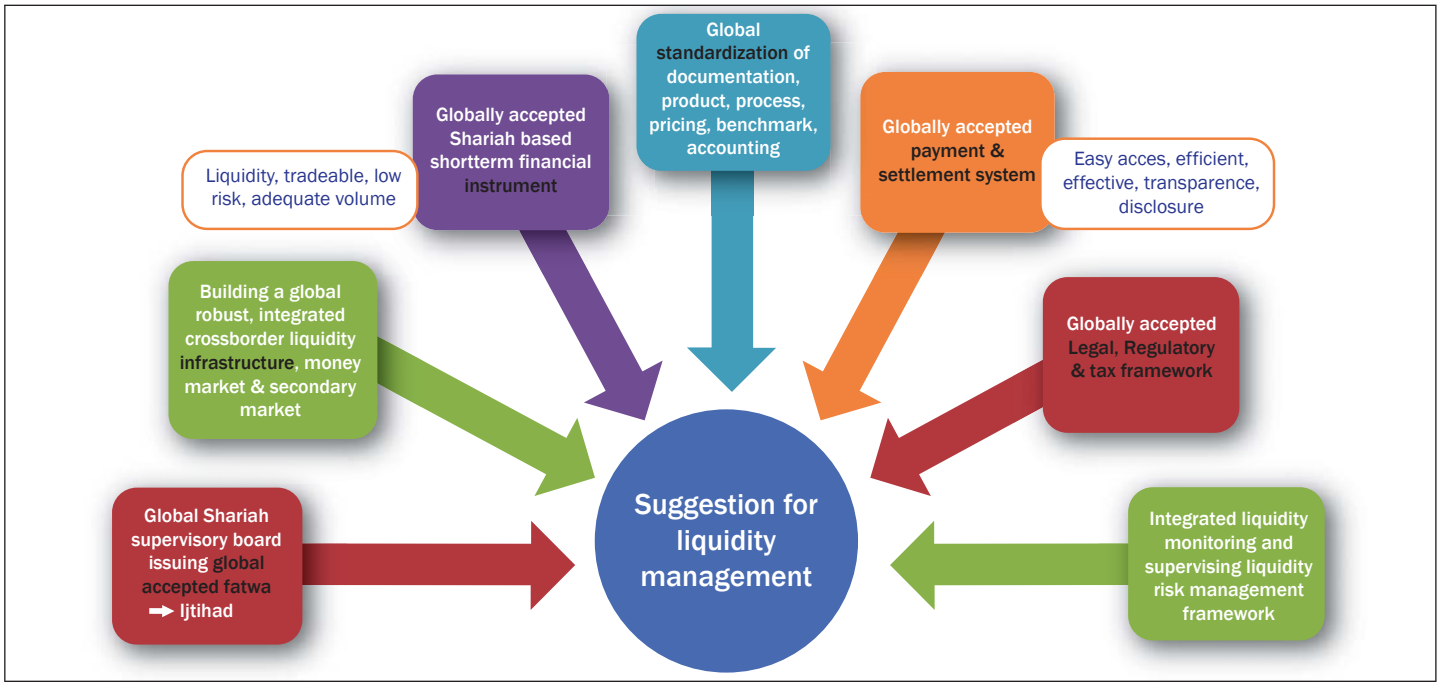


Liquidity Management in Institutions Offering Islamic Financial Services (continued)

should be given to the creation of domestic Islamic money markets, based on the agreed general framework and guidelines. This could then lay the basis for creating regional and sub regional markets for Islamic money market instruments.

Adequate availability of liquid short-term financial instruments

The availability of Shariah compliant money market instruments is limited and varies considerably among countries. Instruments such as Commodity Murabahah Interbank placement of funds under various profit sharing arrangements, and Islamic mutual funds, are the most commonly used instruments by institutions offering Islamic financial services (IIFS) in many jurisdictions.

The reliance on central banks for liquidity management is still low, as most short-term financing from central banks has not been adapted to comply with Shariah rules and principles.

Central banks should focus on encouraging the development and design of tradable Shariah compliant instruments which:

(a) Carry low risk and can set a benchmark for other instruments
(b) Can be issued in adequate volume and on a regular schedule to meet the needs of monetary policy, government financing and the portfolio needs of investors.

Robust global standards of documentation, product, process and accounting

Standardization of documentation, product, process and accounting is needed to promote consistent and efficient regulatory framework that will ensure unimpeded Islamic financial intermediation as well as liquidity management. The different standard used among jurisdictions is the main impediment. Global standardization is needed urgently so that an IIFS in one jurisdiction can transact easily with other jurisdictions.

Uniformity in legal, regulatory and tax framework

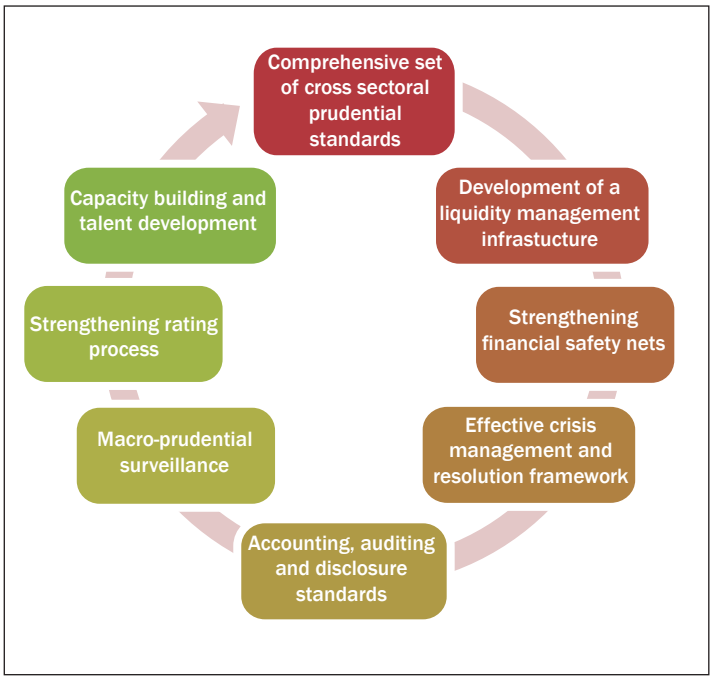
Legal frameworks for public debt and financing arrangements often do not explicitly allow for the design and issuance of Islamic financial instruments. Appropriate modifications to the law could facilitate Islamic money market development. A globally accepted legal, regulatory and tax framework would allow IIFS transactions to be easily conducted across jurisdictions.

Area of concerns in the legal, regulatory and tax framework are the trust laws, the banking and securities laws, the public debt laws, appropriate adjustments in the tax regime as well tax incentive or tax neutrality to facilitate the operation of Islamic money and capital markets.

An integrated payment and settlement system

The final challenge is to have an integrated and sophisticated payment and settlement system. Certain features within the existing payment and settlement system will require adaptations in order to ensure that payment transactions can be made within the rules of Shariah. In particular, adaptations are required in the types of collateral, the loss sharing arrangements, the interbank lending arrangements, and the availability of central bank lender of last resort facilities to support settlements by the IIFS.

The current ongoing global financial and economic crisis has



highlighted the weaknesses of the global financial regulatory and supervisory framework. Co-operation between regulators across jurisdictions is important in addressing potential systemic risks that have extended beyond the national and regional boundaries.

Active liquidity management by IIFS can be encouraged through supervisory guidance on liquidity risk management. And the use of government finance instruments can be integrated into the liquidity monitoring and liquidity risk management framework.

Making it a reality

The IFSB, the Islamic Development Bank (IDB), and the Institute of Research and Training Institute (IRTI) have developed eight building blocks to strengthen the Islamic financial infrastructure. They target the stability and dynamism of the Islamic financial system through solid infrastructure components and strengthening key institutions.

Common Islamic liquidity products

The types of instruments used for interbank transactions and liquidity management vary among jurisdictions. The availability of Shariah compliant money market instruments is quite limited and varies among countries. They can include:

- Commodity Murabahah
- Inter-bank Mudarabah
- Wakalah and unrestricted Wakalah (regional)
- Islamic debt securities
- Short-term Ijarah Sukuk (Bahrain, Brunei, Singapore, Malaysia, Pakistan)
- Islamic repurchase agreements — REPO
- Government-central bank Shariah compliant instrument
- Specific short term liquidity management solutions

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Liquidity Management in Institutions Offering Islamic Financial Services (continued)

Addressing these building blocks is vital in ensuring development of a robust and resilient Islamic financial system as all these eight areas are interconnected. Stability and contribution towards growth and development can be preserved if we adhere to these building blocks.

Liquidity is the life blood of any business, and we must make sure that we get there as quickly and as efficiently as possible. We have to ensure that we are able to provide adequate education programs at all levels in order to groom educated people, encourage intelligent debate and discussion, and raise the status of the industry, knowledge, information, and quality of debate. Finally, we need to change perceptions. There are still many negative perceptions about Islam and Islamic finance. We need to address this in a non-confrontational way, by engaging in debate and standing up for what is right.

Combined with sufficient cross border liquidity tools and infrastructure, liquidity management will be good to go. At the end of the day, a little persistence can go a long way.

Daud Vicary presented this paper at the 2nd Islamic Financial Stability Forum in conjunction with 17th Meeting of Council of the IFSB on the 14th December 2010, Jeddah, Saudi Arabia.

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Standard setting bodies and organizations

IFSB: The Islamic Financial Services Board is the international prudential standard setting body for the Islamic finance industry. The IFSB Task Force on Liquidity Management explores measures needed to develop the liquidity management infrastructure and framework for the Islamic financial institutions.

IIFM: The International Islamic Financial Market is the global standardization body for the Islamic Capital and Money Market segment of the IFSI. IIFM is seeking to set standards for Islamic securities and may issue global guidelines in the next 18 months to facilitate the sale of Sukuk.

LMC: The Liquidity Management Center was established to facilitate the investment of the surplus funds of Islamic banks and financial institutions into quality short and medium-term financial instruments structured in accordance with Shariah principles.

IILM: The International Islamic Liquidity Management Corporation is expected to be fully operational by the first half of 2011. It is a collaboration and commitment by 12 regulatory authorities to establish a mechanism for more efficient management of liquidity across borders. It will issue short-term Sukuk for liquidity management beginning in the middle of 2011, first in US dollars followed by euro-denominated Sukuk.

Emerging Practices, Initiatives, and Trends

The types of instruments used for managing liquidity vary among jurisdictions, and also differ among IIFS. Here are some examples of initiatives being taken to develop platforms and benchmarks:

Southeast Asia
Malaysia
- The Islamic Interbank Money Market (IIMM): introduced in January 1994 to provide an off-the-shelf source of Shariah based short-term investment outlets. Instruments include Mudarabah interbank investment, government investment issue and Islamic treasury bills.
- Bursa Suq Al-Sila: the world's first Shariah compliant commodity trading platform of Bursa Malaysia. A fully electronic international multi-currency and multi-commodity trading platform.

Indonesia
- Domestic Interbank Shariah Financial Market: launched by the Central Bank of Indonesia in 2000 using Mudarabah Interbank Investment Certificate. Internationally it is accommodated in International Islamic Financial Market (IIFM).
- Bank Indonesia Wadiah Certificates (SWBI): issued by the central bank for IIFS to place their excess liquidity. The SWBI bonus is lower than the Islamic interbank money market and Murabahah time deposit.

Brunei
- Short-term rolling of Sukuk Al Salam and Ijarah has been in place since 2001 and 2005 respectively. This short-term Sukuk is complemented by regular issuance of medium to long-term Sukuk Al Ijarah.

Gulf Cooperation Council (GCC)
Bahrain
- Special deposit facilities are available only for conventional banks as these are not Shariah compliant. IIFS rely on non-interest-bearing excess reserves held in their current accounts with Central Bank of Bahrain (CBB). IIFS also have access to a range of Ijarah and Sukuk Al-Salam.

Dubai (UAE)
- "The Gate" (Global Commodity Finance in Dubai), acts as an electronic Islamic interbank platform project for short-term liquidity management. It is a global marketplace development for financial institutions to resolve treasury imbalances. The system is based on Islamic Benchmark for Interbank Transactions.
- The UAE central bank in May 2010 announced a plan to launch new liquidity facilities through the issuance of Islamic certificates of deposit (CDs), with maturities of one week up to one year. The new Islamic CDs are based on the commodity Murabahah concept and will be offered in daily auctions.

The rest of the world
Apart from the GCC and Southeast Asia regions which lie at the heart of Islamic finance, the rest of the world has various stages of development and challenges.

Islamic Finance and International Taxation: A level playing field in sight?

By Niels Muller

Recent years have seen an increasing number of cross border investments made by Islamic investors, especially from the Middle East, into high tax jurisdictions in Europe, Asia and the Americas. In addition, Islamic finance (retail) products are increasingly offered to Muslims outside the traditional Islamic finance markets.

Furthermore, the credit crunch has sparked a debate regarding the sustainability of the conventional banking industry. The fact that Islamic finance principles to a large extent correspond with the principles of socially responsible investments has also increased the general interest in Islamic finance.

As a result of these developments, tax authorities around the globe are confronted on a regular basis with the question how Islamic finance products should be treated within their tax framework. Certain countries have proactively issued guidelines or even amended their tax laws (such as the UK, France and Singapore), in order to facilitate Islamic finance transactions.

Other countries accommodate Islamic finance within their existing tax framework (for example the US, the Netherlands and Germany), sometimes combined with the availability of advance tax rulings and/or circulars providing general guidance. Under both approaches, it is generally recognized that Islamic finance products should be treated similar to conventional financial products of a comparable nature.

This article briefly discusses some of the key tax considerations when structuring (cross border) Islamic finance transactions and compares the general approach in various jurisdictions.

Activities of Islamic financial institutions (IFIs) differ from those of regular commercial depository corporations in that charging interest on financial instruments is prohibited. The non-payment of interest on liabilities, however, does not in itself preclude instruments from being classified as external debt. Islamic financial products offered by IFIs or Islamic windows of conventional financial institutions can take a wide variety of forms.

Although some form of standardization has been achieved, for example by the Accounting and Auditing Organization for Islamic Financial Institutions, each Islamic financial product should still be closely examined in order to ascertain the applicable tax treatment.

The tax treatment of the most commonly used products, such as the deferred credit sale (Murabahah), leasing structures (Ijarah) and investment certificates (Sukuk) depends primarily on the (tax) classification of such instruments and the amounts paid (or received) there under.

As a general rule, this classification can be based on a legal (or form based) approach or an economic approach. Under a legal approach, the instrument and the income there from are characterized according to the legal form of the contract, whereas under the economic approach, the economic substance of the transaction prevails.

Furthermore, in certain countries a reclassification for tax purposes as "interest" is required in order to secure the deductibility of the payments under an Islamic financial instrument.

The economic approach generally results in an equal treatment for most Islamic financial instruments that are economically close to or similar to external debt. In countries applying a legal approach, a level playing field for Islamic financial instruments is more difficult to achieve, especially where classification of expenses as "interest" is also required. Even introducing specific exceptions for Islamic financial instruments does not always result in the desired level playing field.

On the contrary, overly prescriptive exceptions may, unintentionally, limit the development of innovative Islamic finance products. In addition, specific exemptions may even cause misuse, like for example the stamp duty land tax schemes in the UK, and may also raise questions as to the equality of taxpayers.

Therefore, countries applying an economic approach as general rule, such as Luxembourg, the Netherlands and the US, a generally provide a more suitable tax framework for accommodating Islamic finance than countries applying a legal approach for tax purposes.

When assessing the tax treatment of a specific Islamic finance transaction, the following key tax aspects should be considered:
1. Corporation taxes: deductibility of financing costs;
2. International tax issues: tax treaties and withholding taxes; and
3. Indirect taxation: transfer or transaction taxes and VAT.

Corporation taxes: Deductibility of financing costs

As mentioned above, in certain jurisdictions financing costs are only deductible provided that they qualify as "interest" (for example in the UK, Ireland, Singapore and Hong Kong). Payments under Islamic finance transactions generally do not qualify as interest within a strict legal definition of interest.

Therefore, in these jurisdictions, often also applying a legal approach to taxation, structuring Islamic finance transactions will generally be more cumbersome. In these countries, changes in law and/or policy are generally required in order to facilitate Islamic finance transactions.

In countries applying a more economic approach, such as the US, financing costs of Islamic finance transactions are generally treated as deductible interest payments if substantively similar to such payments. In certain other countries, such as the Netherlands and Luxembourg, the classification of the payments is less relevant, apart from the situation where such payments are reclassified as dividends (and therefore not allowed as a deduction).

Under the profit calculation method in these countries, there is no different tax treatment for different types of income or expense. As long as arm's length expenses are incurred in the course of a business or trade, such costs should generally be deductible. This should generally ensure a level playing field for Islamic and conventional financial products.

International tax issues: Tax treaties and withholding taxes

When determining whether withholding taxes and/or a reduced tax

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Islamic finance and international Taxation: A level playing field in sight? (continued)

treaty rate may be applicable, it is (again) required to classify the payments made under the relevant Islamic finance transaction. According to the note by the working group on treatment of Islamic financial instruments, the current drafting of the UN Model Convention seems to be capable of dealing with Islamic finance products. However, there are still a few challenges when applying tax treaties to Islamic finance transactions.

The vast majority of tax treaties include a specific definition of interest payments. Payments under an Islamic finance transaction may not always qualify under such definition. According to the Commentary on Article 11 of the OECD Model Convention, "interest" is generally taken to mean remuneration on money lent, being remuneration falling under the category of income from movable capital. This definition clearly does not correspond with the principles applicable to Islamic finance transactions.

The commentary does refer to a broader concept of "debt claims of every kind", but there is a carve-out for debt instruments that carries a right to participate in the debtor's profits, unless "the contract by its general character clearly evidences a loan at interest".

Although a discussion of this classification issue is beyond the scope of this article, it is clear that each Islamic finance product should be thoroughly analyzed before the tax treaty classification of payments made under such instrument can be made.

Incidentally, this point has been specifically taken into account in certain tax treaties. For example in the treaty between the Netherlands and Bahrain, at Bahrain's specific request Article 11 of the treaty uses the term "income from debt claims" instead of "interest".

Also, the definition of income from debt claims has been drafted such that most debt like Islamic finance products should fall within the scope of this definition. The same applies, for example, to the tax treaty between the UK and Saudi Arabia, in which Article 11 is drafted so as to include payments reclassified as interest under the alternative finance regime.

One of the key elements in tax treaty application is whether the party claiming tax treaty benefits is subject to tax within the meaning of the applicable treaty. This raises the interesting question of whether payments of Zakat, the Islamic alms giving as prescribed by the Quran, should be treated as a tax within the meaning of the OECD Model Convention.

For example in the 2001 Netherlands–Kuwait tax treaty, Zakat was specifically included as a tax within the meaning of the treaty (as in other tax treaties concluded by Kuwait). Saudi Arabia also tends to consider Zakat as a tax for treaty purposes. It appears under certain circumstances indeed defensible that Zakat should be viewed as a tax within a tax treaty context.

This seems to be in line with the commentary on Article 2 of the OECD Model Convention which leaves contracting member states the freedom to clarify as to which taxes Article 2 should apply. Also, the commentary specifically confirms that it is immaterial on behalf of which authorities the tax is levied and which method is used to levy such tax.

Indirect taxation

VAT and other indirect taxes such as real estate transfer taxes, stamp duties and capital contribution taxes often play an important role in Islamic finance transactions. This is firstly due to the fact that Islamic finance transactions are mostly structured on the basis of certain underlying (real) assets. Secondly, real estate and infrastructure assets are popular assets amongst Islamic investors, and the transfer of these assets generally triggers a range of indirect taxes.

A wide range of financial services is generally exempt from VAT or comparable sales taxes. In order to create the desired level playing field, comparable Islamic financial services should enjoy the same treatment.

As is seen in this special issue on Islamic finance, this is not necessarily the case for all Islamic financial products. Within the European Union, the VAT legislation is harmonized pursuant to the VAT Directive. Unfortunately, the VAT Directive does not contain any guidance on the VAT treatment of Islamic financial instruments.

In 2006, the European Commission did inquire with market parties in a consultation paper whether, on the basis of equality of treatment, a Murabahah transaction should not be treated as granting a credit for VAT purposes. However, the summary of results following the consultation paper does not contain any further guidance on the VAT treatment of Islamic finance. As a result, it is up to each EU member state to apply its VAT laws, in accordance with the VAT Directive, to Islamic financial instruments.

For example in the UK and France, specific legislative changes have been made to the existing domestic VAT laws. It therefore seems that in other EU member states such amendments should also be possible, as all EU member states are required to apply their VAT laws in accordance with the VAT Directive. Certain other countries (for example Indonesia and Singapore) have also clarified the VAT and sales tax treatment in their respective jurisdictions.

As to other indirect taxes, such as real estate transfer taxes, the main challenge is generally to prevent double taxation resulting from on-selling real estate assets under, for example, a Murabahah transaction.

Some countries provide for specific exemptions to accommodate Islamic finance transactions (such as the UK, France and Singapore), whereas in other countries (such as the Netherlands), existing exemptions applicable to on-selling real estate within a certain period may apply.

Conclusion

The awareness of the tax issues relating to (cross border) Islamic finance transactions in so called "high tax jurisdictions" has significantly increased over the past couple of years. As follows from this brief introduction, a level playing field has yet to be established. However, given the current developments and the increasing understanding and appreciation of Islamic finance principles in a significant number of non-Muslim countries, the desired level playing field may be closer than expected.

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Niels Muller is a member of the tax practice group. He focuses on structured (asset) finance, project finance, investment funds and (renewable) energy. He is a core member of the Islamic finance team.

Islamic Estate Planning and Wealth Management

By Sadali Rasban

Wealth is a trust to mankind, and man is entrusted to just manage the wealth, based on Shariah law. The absolute ownership of all things on and beneath the earth belongs to God.

This means that every Muslim has the right to transfer his wealth or estate to what he thinks is fair and just as long as it is in compliance with the means of wealth and estate transfer in accordance with Shariah law. Ultimately, the transfer must also achieve the objectives of Shariah.

It is crucial to understand what Shariah law in wealth and estate transfer is. It is a guide for Muslims to apply in their man to man transaction on wealth and estate transfer. It is derived from Islamic jurisprudence, which is concerned with the way in which rituals and sets of Muslim laws are derived from sources that have been agreed with among Muslim scholars. The primary source is the Quran, followed by the Hadith, fatwa of the Prophet's companions, and such.

In applying Shariah Law, the ultimate outcome that must be achieved is the Maqasid Al Shariah (objectives of Shariah). The objectives of Shariah must be seen from the teachings and philosophical underpinnings of the Quran and Hadith texts and not just the literal interpretation of the texts.

The commonly used means of wealth and estate transfer in Singapore are the Faraid (Muslim intestate succession law), Wasiyyah (Islamic will), Nuzriah (vow) and Hibah Al Ruqba (Islamic conditional gift). Allow me to briefly explain those means of wealth and estate transfer.

Faraid is applied when the deceased dies intestate and there is a disagreement among the legal heirs on the distribution. In this event, the Faraid will be applied. It is to be applied after death at the last resort when there is no agreement pertaining to the distribution of the net estate. The breakdown is rather rigid and complex. The distribution is well defined in the Faraid system, for example, the male to female ratio is 2:1. The parents will always get at least one sixth each. The spouse will get at least one eighths. The beneficiaries for Faraid must be Muslim, have blood ties with the deceased or is linked to the deceased by marriage.

Wasiyyah is to be applied after the deceased dies testate. The beneficiaries cannot be the legal heirs that have received from the Faraid breakdown. This means the beneficiaries cannot be the parent, spouse, children and sometimes siblings. The maximum distribution is one third of the net estate. At least two-thirds will be disposed based on the Faraid. This concept seems to protect the family.

Nuzriah is a special vow that is used in Singapore only by some Muslims. There is no evidence of other countries in this region practicing such a vow. It is a vow that allows the deceased to give up to 100% of his wealth, three days or one hour before his death, during his lifetime. The beneficiaries can be anyone, including beneficiaries who are receiving from the Faraid distribution. This vow has been rejected by the High Court of Singapore as a special vow to give up to 100% and to include the beneficiaries who are receiving from the Faraid. The court defines Nuzriah as it defines a Wasiyyah. This means that the Wasiyyah principle is applicable to Nuzriah.

Hibah Al Ruqba is an initiative introduced into Singapore by the writer. The donor will make and sign the Hibah document during his lifetime. This innovation is important, as it protects both the donor (person that gives the gift) and donee (the person that receives the gift). There is also no limit of the amount to be given and no constraint in the beneficiaries. This means we can give 100% of the wealth even to beneficiaries who are receiving from the Faraid distribution.

With the mechanisms mentioned above, we see that there are many ways we can give away our wealth to others. This means the man with the wealth can use a mechanism that denies his dependents of his wealth just like the non-Muslim, the law of testacy. It allows a person great freedom to dispose of his property in the manner that he desires. It follows that a person may give his property away from his family and leave no provision for his spouse and children after his death.

In executing Muslim law, one must apply all the relevant laws of distributing the wealth and the responsibility that is attached to the shares. Unfortunately, the current practice in estate distribution in Singapore and Malaysia and I believe in most of the ASEAN countries, is confined to distribution only.

For example, in a case where a father dies and leaves behind a special adult daughter (who will not be able to work or even marry) and three normal adult sons, based on the Faraid law, the special daughter will get 1/7 and each of the sons will get 2/7. If the only estate is a home, when Faraid is applied, the home is sold and the estate is distributed in accordance to the above breakdown. There is no provision or any legal means at this point of time to protect the special daughter even though in the Muslim Law, the sons have the responsibility to provide maintenance to the sister. Today, this responsibility is defined as just a moral obligation. It is up to the sons out of kindness to support their sister.

As in a case of divorce, the father is still required by law to provide maintenance to his dependents until certain time which the law defines. It is unfortunate that the current provision in estate matters does not protect dependents.

There is a need for Muslims to look into the Inheritance (Family Provision) Act, Cap 138. The above Act does protect the dependents from being denied any maintenance by the deceased's will or any other law relating to intestacy or a combination of both.

Unfortunately, this act only applies to non-Muslims and is not applicable to Muslims at this moment. Embracing this Act can resolve the many unjust estate distribution that is currently happening, and avoid future unjust distribution.

There is a similar act in Malaysia, the Inheritance (Family Provision) Act 1971, (Act 39), which Malaysian Muslims may also have to look at in order to enforce a complete Muslim law on wealth and estate disposal, distribution and responsibility.

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Sadali Rasban is an Islamic wealth management professional. He is a specialist in wealth / estate transfer based on Shariah Law and in harmony in the country Civil Law. He has authored many books on Shariah Law in wealth / estate transfer matters.

Quantifying an Islamic Pricing Benchmark and Associated Risk Measures

By Eldred Buck

Islamic finance continues to show growth through both a wider range of institutional users as well as a broader set of innovative products. Consequently Islamic products and services represent feasible and competitive alternatives to conventional methods of investment and have become increasingly popular as both financing and investment tools.

Islamic financial institutions (IFIs) are growing largely because their stated objective is to create trading and business arrangements that pay profits to investors from business transactions that are backed by tangible assets, and which acknowledge and accept the sharing of risk with the reward.

However, Islamic finance has still been using conventional finance benchmarks, such as the London Inter Bank Offered Rate (LIBOR) and such, to determine its own cost of funds and hence its return to financial investments. The pressing need for a genuine benchmark for Islamic finance cannot be over emphasized, since such a benchmark will make the whole industry more comprehensive and independent from conventional benchmarks that rely on interest rates, the very thing that Islamic finance abhors.

Benchmarks

A benchmark allows business processes and performance metrics to be employed in order to measure both absolute and relative returns and therefore allows comparative analyses to be carried out. Within the conventional sector, the use of LIBOR as such a benchmark is well established as the base measure within the banking industry.

The recent dislocations, particularly since mid 2007 and especially since the collapse of Lehman Brothers in late 2008, have highlighted that interbank indexes such as LIBOR have their own problems and some conventional bankers have even argued that they have now lost their credibility as benchmarks for the financial markets.

This point is raised, not to suggest that LIBOR does not work, but in the final analysis LIBOR may simply represent the lesser of known evils. Nevertheless, the possibility of citing a legitimate alternative for Islamic banking should be assessed on the same basis.

What is really interesting about LIBOR is its simplicity. LIBOR represents the arithmetic average of 12 quotes, with the two highest and two lowest quotes being removed and the balance of the remaining eight being averaged. In such an arrangement it is quite possible of the average rate not to be offered by any one bank. For example if six banks offered a rate of 5% and six banks offered a rate of 4%, LIBOR would be fixed at 4.5%.

Much work has been done in looking for an alternative to LIBOR as an Islamic pricing benchmark. For example, the International Shariah Research Academy for Islamic Finance (ISRA) has produced a number of working papers, which have considered a set of alternative approaches. These are many and diverse; a capital asset pricing model based approach, a rate of profit based approach, a dividend based approach and so on.

Whatever the basis chosen, it is always likely to reduce to the 'law of one price' that is brought about by the arbitraging activities between both the Islamic and conventional finance participants. Since both Islamic and conventional finance operate in an interest based, fractional reserve, fiat banking system, they are interlinked within a similar market environment.

The fundamental drivers behind Commodity Murabahah

It is not within the scope of this discussion to expand on the issue of Islamic bank liquidity. Suffice to say that liquidity derives from the asset side of the balance sheet — endogenous liquidity — and the exogenous side, the bank's deposit base.

Islamic banks have a disadvantage in the first category, but enjoy a significant advantage in the second category. It is precisely because IFIs lack the full array of flexible liquidity management tools that Islamic banks in particular have considerably more deposits than they have assets. This is because there are more Shariah investors who want to put money into Islamic banks than there are Shariah compliant instruments which can easily accommodate and transfer this to the asset side of the balance sheet of an IFI.

Historically Murabahah, or cost plus, has been used by IFIs to address this and while a number of products are being discussed to manage this need, almost in all cases, Commodity Murabahah is very frequently employed here. Commodity Murabahah, which is one of the most trusted of Islamic financing concepts, therefore remains at the very heart of many of the new instruments that are being created in order to meet this huge and ever growing demand.

> "One ever present issue in the use of any Murabahah transaction is the issue of what profit rate is appropriate for a particular term"

One ever present issue in the use of any Murabahah transaction is the issue of what profit rate is appropriate for a particular term. It is hard not to notice that very frequently the term Murabahah profit rate quoted by a bank looks to be very closely linked to the same LIBOR term interest rate and these rates are clearly the conventional banking system's benchmarks. In as much as the closely watched spread between the Fed Funds rate and LIBOR is a bellwether of a conventional banks' financial health, Murabahah rates offered by an institution, will to a large extent, reflect the same.

A real world asset

By using a wide variety of Shariah compliant commodities, from base metals to soft commodities, real world returns can be referenced which are not based on interest rates, but on the general level of

Quantifying an Islamic Pricing Benchmark and Associated Risk Measures: (continued)

Murabahah Base Metals Indexes

	Description	Bid	Ask	Last Price	Time
1	Aluminium	103.51	103.53	103.51	17:15
2	Alumn Alloy	104.27	104.30	104.27	17:15
3	Copper	100.51	100.54	100.51	17:15
4	Lead	100.04	100.07	100.04	17:15
4	NASAAC	105.47	105.50	105.47	17:20
6	Nickel	106.42	106.44	106.42	17:20
7	Steel	100.93	100.95	100.93	17:15
8	Tin	101.42	101.44	101.42	17:15
9	Zinc	100.34	100.36	100.34	17:15
10	Base Metals	102.55	102.56	102.55	17:20

Murabahah Agriculture Indexes

	Description	Bid	Ask	Last Price	Time
1	Arabica Coffee	113.64	113.66	113.64	17:15
2	Robusta Coffee	103.21	103.23	103.21	17:50
3	Cocoa NY	101.83	101.86	101.83	17:20
4	Cocoa L	102.21	102.23	102.21	17:15
5	White Sugar	100.00	100.03	100.00	17:20
6	Raw Sugar	100.00	100.03	100.00	17:20
7	Coffee	108.21	108.13	102.02	17:20
8	Cocoa	102.02	102.03	102.02	17:20
9	Sugar	100.00	100.01	100.00	17:15
10	Softs	103.48	103.49	103.48	17:50
11	Cotton	116.92	116.95	116.92	17:15

economic activity as evidenced in the supply/demand structure of the most basic building blocks of the global economy.

When commodity markets are in balance, they are said to be in contango, that is, they are positively sloping, such that forward prices are higher than spot prices and these forward prices represent a return on storing the commodity for use when it is required. Most metals markets and soft commodity markets will have this shape when the economy is growing and supply is freely available.

When markets go into backwardation, that is, when spot prices are higher than the prices for the commodity in the future and the curve is negatively sloped, this implies a squeeze is occurring on the spot commodity and that current supplies are scarce. From this basic structure the term roll return is defined. When a forward price is higher it represents an opportunity to execute a cost plus transaction and to lock in a profit.

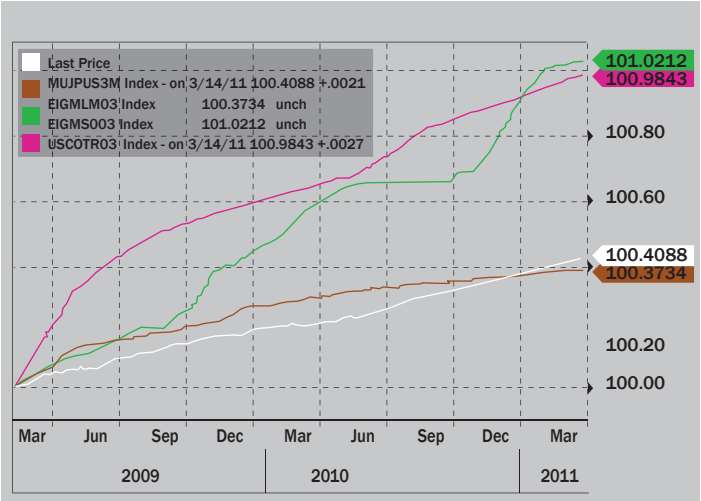
Alternative benchmarks to LIBOR

Commodity Murabahah indexes therefore represent an excellent alternative to LIBOR based returns. Like LIBOR, they represent open and objective measures, but without the problems of being based on an interest rate, which is also potentially divorced from the real world since it may be being kept arbitrarily artificially low or high, for a myriad of reasons.

Consequently, composite Commodity Murabahah rates themselves will reflect the broad economy particularly when they are based on a broad range of commodities and by their very nature they are also inflation linked.

Recently the introduction of constant maturity total return indexes based on commodities, like the suite of Eiger Commodity Murabahah indexes, now allows investors to make simple and ready comparisons between Shariah compliant investments. Since these indexes are created through calculating the returns of performing a series of Shariah compliant transactions, they therefore allow Shariah compliant investors to make informed decisions on the performance of a Shariah compliant investment, both in absolute total return and relative performance terms.

The table below shows the breadth of commodities on which an investor may base his investment comparison. For each of the major industrial metals that are used in the economy an index value is calculated. These in turn may be aggregated to create a broader index, for example the base metals index, which include the nine industrial base metals listed below.



In the case of the soft commodity markets, the same may be done for these, as shown below. For example, the Eiger 3 Month Soft Commodity Index is comprised of three major commodities, coffee, cocoa and sugar indexes, of which each is also a total return Murabahah indexes that are comprised of Arabica and Robusta coffees, refined white and raw sugars and cocoa.

When tracked over time, the graph below shows the performance of the JP Morgan three-month Murabahah rate, and 3M LIBOR which are strongly correlated, against that of the Eiger 3 Month Base Metals Commodity Index and Eiger 3 Month Soft Commodity Index, both of which are composite indexes of a number of commodities. By using

Quantifying an Islamic Pricing Benchmark and Associated Risk Measures: (continued)

these indexes, any of which may be chosen by the Islamic investor, both consistent comparative and quantitative profit rate assessments can be made through the entire spectrum of a simple single case of an individual Shariah compliant investment, right through to an entire Shariah compliant portfolio. These total return indexes can be used in any weighting that may be desired.

For example, the user can choose to use their own mix of commodities and also their own weighting of commodities, meaning that Murabahah indexes can be built and customized, precisely to the end users specifications and requirements, they could be weighted by production or consumption data, or they can be used much as a LIBOR, by the simple arithmetic average of the available returns.

iSharpe & iSortino

There are some interesting tools that can be created. Since the Murabahah rate of return, which represents the lowest cost of funds for an Islamic investor, it is de facto, a proxy for risk free rate used in conventional finance. Thus by substitution we can use this rate in a standard Sharpe or a Sortino equation. In conventional finance the Sharpe Ratio, is a reward to-variability ratio, which is a measure of the excess return (or risk premium) per unit of risk in an investment asset or a trading strategy.

iSharpe is analogous, except that instead of using the "risk free rate" we use the Eiger Murabaha Commodity Total Return Rate so that:

$$iS = R - R(EMCTR) / \sigma$$

Where:

	iS	= Islamic Sharpe
	R	= asset return
	R (EMCTR)	= Eiger Murabaha Commodity Total Return
	σ	= standard deviation

A complimentary risk measure is our iSortino ratio which, like its conventional counterpart measures the risk-adjusted return of an investment asset, portfolio or strategy. It is a modification of the Sharpe ratio but penalizes only those returns falling below a user-specified target, or required rate of return, while the Sharpe ratio penalizes both upside and downside volatility equally. An iSortino ratio is thus a measure of risk-adjusted returns that might be said to view risk more realistically than the Sharpe ratio.

The ratio is calculated thus:

$$iS = R - R(EMCTR) / \sigma d$$

Where:

	iS	= Islamic Sortino
	R	= asset return
	R (EMCTR)	= Eiger Murabaha Commodity Total Return
	σd	= Standard Deviation of Negative Asset Returns

Eldred Buck
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Eldred is the principal manager of the Shariah compliant Eiger Coffee Green Fund. He drives the five strategic business units of Eiger trading including Islamic products; fund advisory and managed accounts; environmental, social and governance products; services, consultancy and investment advisory services and commodities trading.

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

Name: Lee Yul Hee

Position: Head of global business development unit, head of Islamic finance

Company: Korea Investment & Securities

Based: Seoul, Korea

Age: 43

Nationality: Korean

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

I have worked for Korea Investment & Securities (KIS) for 15 years, mainly in investment banking. These include being the head of international finance, mergers and acquisitions, mezzanine investment and equity capital market.

KIS set up an Islamic finance team in early 2008. Since then I was heading the team and responsible for the firm's overseas business developments. One reason that we established an Islamic finance team is to diversify the foreign currency source of funding for Korean issuers. Another reason is to seek for business opportunities from emerging Islamic economies including Malaysia and the GCC.

What does your role involve?

I monitor and research the emerging countries mainly in Asia. Upon feasibility studies, I develop cross border business opportunities between Korea and the region. I also select the countries that KIS needs to expedite its own securities businesses. Besides Malaysia and the GCC, China, Indonesia, Vietnam also attract KIS' interest in the operation of its own securities house.

KIS' role is also to introduce the concept of Islamic finance to the Korean financial market, especially in investment banking. We have broadened our relationship with Islamic securities industry pundits, including Islamic banks, fund managers and advisors, in Malaysia and the GCC. We have also been tapping and educating potential Korean issuers to consider issuing Sukuk.

What is your greatest achievement to date?

In relation to Korean issuers' securities offerings, the dual listing of LG display into NYSE and KRX in 2004 is the most notable one. The transaction set up opened a new capital raising practice for the benefit of Korean issuers through the reconciliation of numerous different regulatory hurdles and market practices between the US and Korea.

We helped the Korean government draft a new tax regulation in which the exemption of issuers' taxes incurring from the transfer of assets for Sukuk issuance is included. Having the only Islamic finance team in Korea and its own external Shariah advisor, KIS' strategic commitment to Islamic finance has been unique to the market and quite adaptive to help government initiatives. Although the law has not been passed by parliament, I think the preparation of a new tax regulation can have a meaning to the Korean capital market.

Which of your products / services deliver the best results?

The products and services related to Islamic finance have not yet emerged in Korea. Referring to the preparatory works, the potential issuers were interested in actual market feedback conveying Islamic investors' concrete needs. Apart from the strategic need for the diversification of funding sources, issuers are quite concerned and eager to be informed about pricing terms when they issue Sukuk. We made frequent trips to Malaysia and the GCC region and updated potential issuers with the timed feedbacks from the investors, such as, their appetites for Korean debt securities, overall perception about Korea and the liquidity situation in the Islamic financial world.

What are the strengths of your business?

KIS' investment banking capability tops in many areas. It has been the biggest IPO house for 2010. Leading in various fields such as debt underwriting, derivative product sales, research, KIS has received numerous best Islamic banking awards.

KIS also has a sister company named KIMC, one of the largest asset management houses in Korea which manages all three of the biggest equity funds in Korea. KIS has taken advantage of this strong investment banking and asset management background.

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

KIS' well disciplined risk management practices have enabled KIS to overcome a number of financial crises and grow as one of the biggest investment banks in Korea. We are not affiliated with big conglomerates or commercial banking groups and being independent, we are more thorough and acute in our risk management.

What are the obstacles faced in running your business today?

Obviously, it is the delay in the amendment of new tax law which will surely allow Korean issuers tap the Islamic financial market. It is only after the amendment of the law, that Islamic finance in Korea can move forward.

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

It will surely maintain its high growth tendency. Demographic potential and the growth of middle income classes in the Muslim countries will boost the growth of Islamic finance.

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

To be a globally competitive industry, Islamic finance should not only appeal to Muslims but also non-Muslims. I would like to see Islamic finance being applied globally .

SUMMARY OF TERMS & CONDITIONS

Indonesia Sukuk SBSN IFR 0010

IDR850 billion (US$97 million)

17th March 2011

Obligor/Issuer	Government of Indonesia / Perusahaan Penerbit SBSN Indonesia
Tenor	25 years
Return	Fixed coupon 10% per annum
Payment	Semi annually
Maturity date	15th February 2036
Selling agent	Bank Mandiri (Persero) Bank Internasional Indonesia Bank Rakyat Indonesia (Persero) Bank CIMB Niaga HSBC Bank Negara Indonesia (Persero) Citibank Standard Chartered Bank Bank Permata Bank OCBC NISP Bank Negara Indonesia Syariah Bank Pan Indonesia Bank Pembangunan Daerah Jawa Barat dan Banten Bahana Securities Danareksa Sekuritas Trimegah Securities Mandiri Sekuritas
Trustee	Perusahaan Penerbit SBSN Indonesia
Governing law	Indonesian
Purpose of issuance	General budget financing
Principal activities	General budget financing
Rating	Unrated
Shariah Advisor	National Sharia Board — Indonesia
Structure	Ijarah sale and lease back
Tradability	Tradable

The Q&A was conducted with the directorate of Islamic financing:

1. **Why did you use this particular Islamic structure? What other structures were considered?**
   We used this structure because it is well accepted by investors and gives fixed return periodically. It is already approved by the National Sharia Board. Ijarah sale and lease back was used in previous Sukuk auctions.

2. **What will this capital be used for?**
   Based on Indonesia's Sukuk Law No 19/2008, the sovereign Sukuk is issued for the purpose of financing the state budget (general budget financing).

3. **What were the challenges faced and how were they resolved?**
   IFR0010 is the new series issued in 2011 with the longest tenor in our portfolio, so we offered it to the market. First issued on the 1st March 2011, it was well received by market indicated by a large bid in the auction.

4. **Geographically speaking, where did the investors come from?**
   Incoming bids came from domestic (88.5%) and foreign investors (11.5%), whereas 100% was awarded to domestic investors.

5. **Was this deal rated? If not, explain why.**
   This deal was unrated, as government bonds are classified as unrated.

Deal tracker

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

ISSUER	SIZE	INSTRUMENT
Telekom Malaysia	RM2 billion	Sukuk
Malaysian government	TBA	Sukuk
Indonesia finance ministry	TBA	Sukuk
Tatarstan	US$200 million	Sukuk
Bank Muamalat Indonesia	IDR1 trillion	Sukuk
Gema Padu	RM170 million	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 Investment 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
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

Top 10 Islamic Funds by Key Performance Statistics

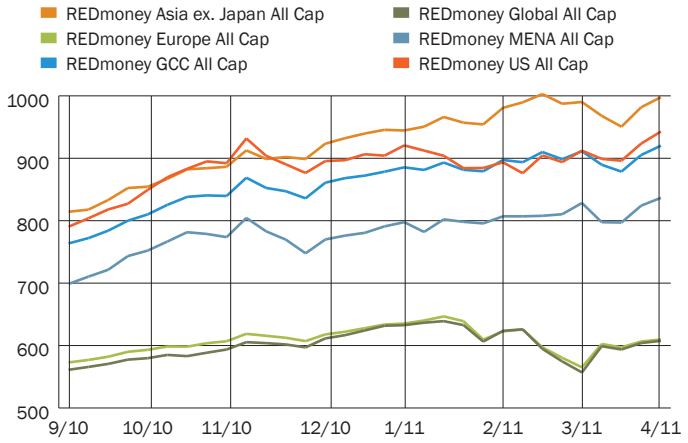
Monthly returns for Asia Pacific funds (as of the 5th April 2011)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	HwangDBS AIIMAN A20 China Access	HWANGDBS Investment Management	8.53	Malaysia
2	Daiwa FTSE Shariah Japan 100 ETF	Daiwa Asset Management (Singapore)	4.05	Singapore
3	CIMB Principal Islamic Equity Growth Syariah	CIMB-GK Securities	4.04	Indonesia
4	Danareksa Indeks Syariah	Danareksa Investment Management	3.76	Indonesia
5	Manulife Dana Ekuitas Syariah	Manulife Aset Management Indonesia	3.35	Indonesia
6	CIMB Principal Islamic Balanced Growth Syariah	CIMB-GK Securities	3.17	Indonesia
7	BNP Paribas Pesona Amanah	BNP Paribas Investment Partners	2.84	Indonesia
8	SI Dana Saham Syariah	Batavia Prosperindo Aset Manajemen	2.47	Indonesia
9	Danareksa Syariah Berimbang	Danareksa Investment Management	2.05	Indonesia
10	Mandiri Investa Atraktif - Syariah (Mitra Syariah)	Mandiri Manajemen Investasi	1.90	Indonesia
	**** Eurekahedge Asia Pacific Islamic Fund Index***		-1.14	

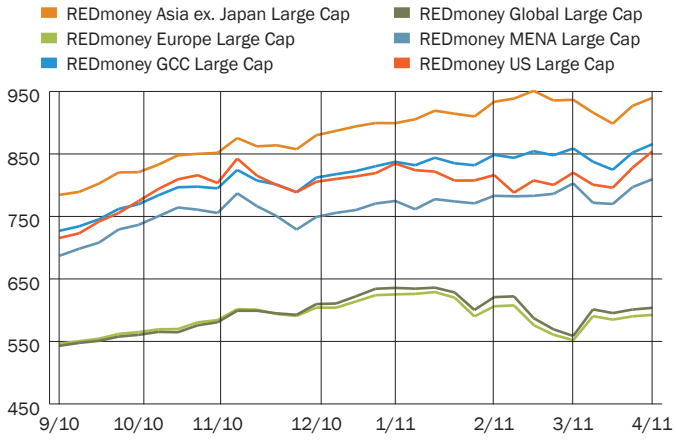
Monthly returns for Middle East/Africa funds (as of the 5th April 2011)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Jadwa Africa Equity Freestyle	Jadwa Investment	3.18	Saudi Arabia
2	First Arabian Equity 2000	First Investment Company	2.32	Bahrain
3	Kagiso Islamic Equity	Kagiso Asset Management	2.06	South Africa
4	Element Islamic Equity	Element Investment Managers	1.44	South Africa
5	Symmetry Islamic	SYmmETRY Multi-Manager	1.25	South Africa
6	STANLIB Shari'ah Equity A	STANLIB	1.22	South Africa
7	Pak Oman Advantage Islamic Income	Pak Oman Asset Management	0.84	Pakistan
8	Islamic Absolute Return Certificate on HFR Emirates	ABN AMRO Bank NV	0.69	Not disclosed
9	Markaz Real Estate	Kuwait Financial Centre	0.36	Kuwait
10	Al Rajhi Petro-Cement Sector	Al Rajhi Bank	0.34	Saudi Arabia
	**** Eurekahedge Middle East/Africa Islamic Fund Index***		-2.89	

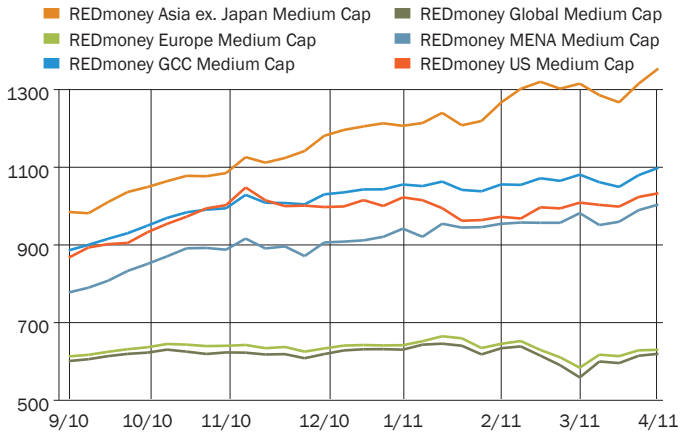
REDmoney GLOBAL SHARIAH INDEX SERIES (All Cap) *6 Months*



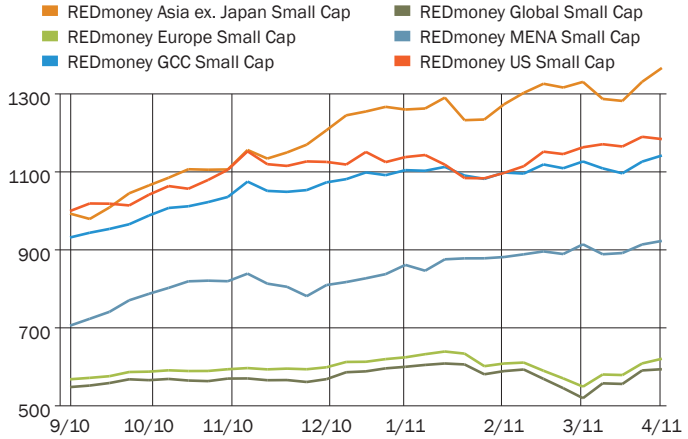
REDmoney GLOBAL SHARIAH INDEX SERIES (Large Cap) *6 Months*



REDmoney GLOBAL SHARIAH INDEX SERIES (Medium Cap) *6 Months*



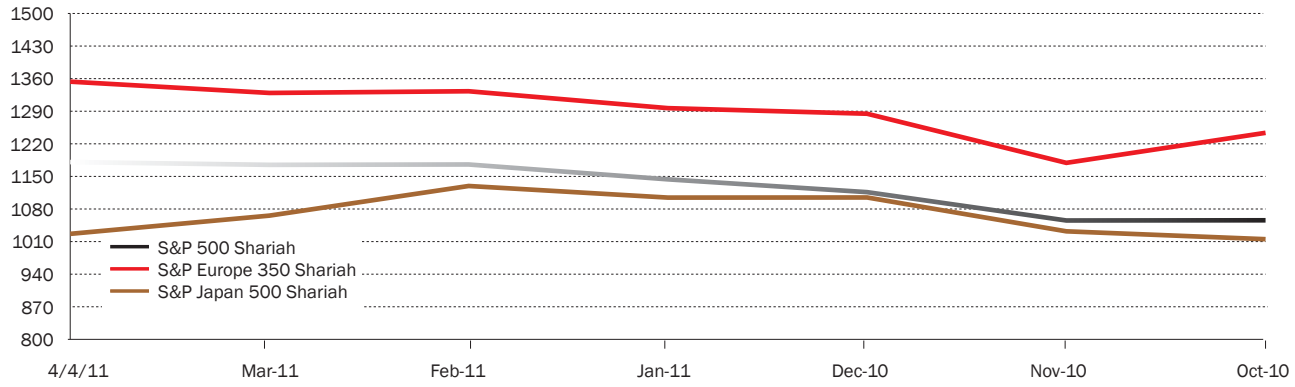
REDmoney GLOBAL SHARIAH INDEX SERIES (Small Cap) *6 Months*



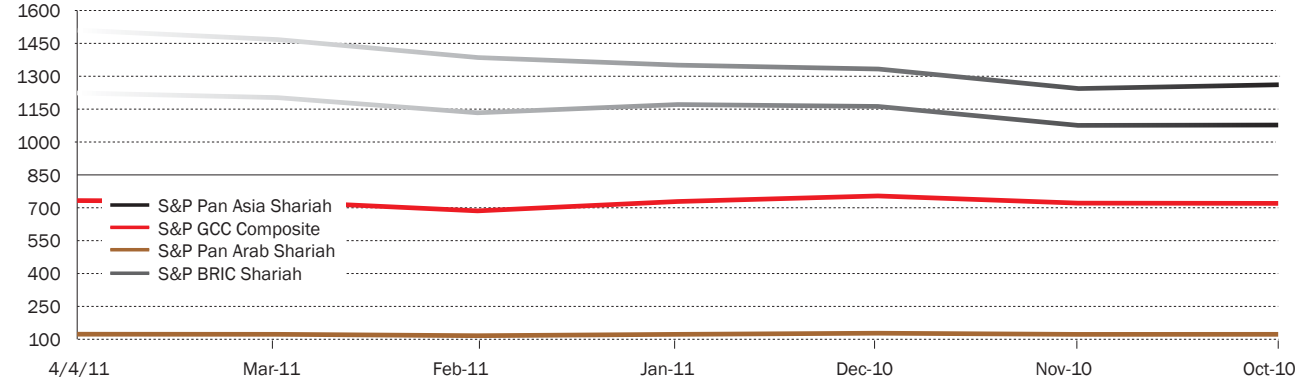
INDEX	Last (US$)	MTD (%)	3 Months (%)	6 Months (%)	YTD (%)	1 Year (%)	2 Years (%)
REDmoney US Large Cap	939.70	0.49	3.97	14.39	4.49	6.64	39.53
REDmoney Europe Large Cap	809.47	0.71	3.74	9.19	4.48	2.90	42.75
REDmoney Global Large Cap	865.56	0.56	2.79	12.24	9.36	8.10	48.42
REDmoney MENA Large Cap	592.47	0.30	-5.04	4.72	-4.75	4.66	36.52
REDmoney GCC Large Cap	603.74	0.43	-4.88	7.46	-4.47	7.11	43.57
REDmoney Asia ex. Japan Large Cap	854.08	1.03	1.28	9.75	2.83	10.99	65.33

INDEX	Last (US$)	MTD (%)	3 Months (%)	6 Months (%)	YTD (%)	1 Year (%)	2 Years (%)
REDmoney US All Cap	997.88	0.48	5.14	16.70	5.65	8.64	46.28
REDmoney MENA All Cap	609.70	0.91	-3.95	2.72	-3.65	1.30	29.81
REDmoney GCC All Cap	607.53	0.47	-4.00	4.56	-3.54	3.43	35.55
REDmoney Europe All Cap	836.66	0.87	3.97	10.31	4.89	5.38	49.18
REDmoney Global All Cap	920.20	0.61	3.16	13.26	3.80	10.34	58.00
REDmoney Asia ex. Japan All Cap	942.83	0.94	1.48	10.46	2.44	13.67	81.12

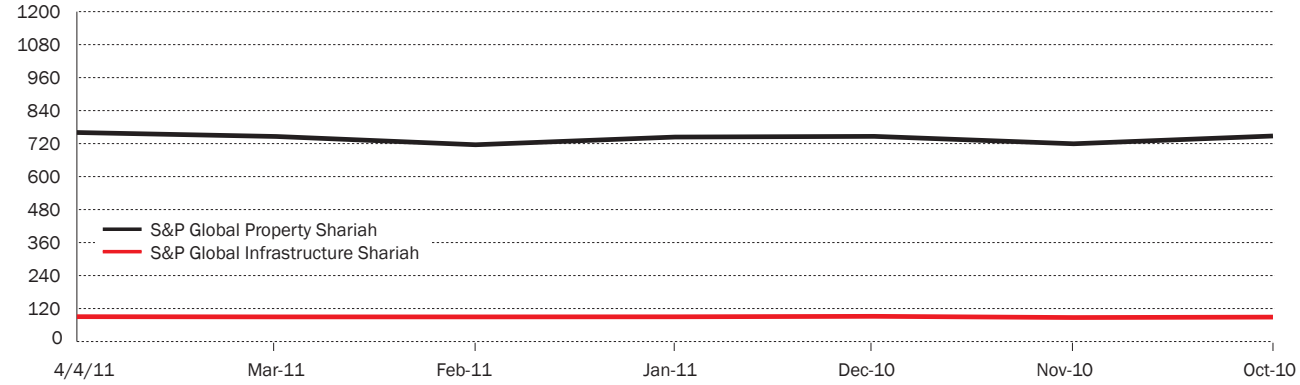
S&P Shariah Indices Price Index Levels



Index Code	Index Name	4-Apr-11	Mar-11	Feb-11	Jan-11	Dec-10	Nov-10	Oct-10
SPSHX	S&P 500 Shariah	1180.756	1174.819	1175.593	1143.662	1116.185	1055.305	1055.737
SPSHEU	S&P Europe 350 Shariah	1353.5	1329.256	1332.904	1296.598	1284.601	1179.078	1243.62
SPSHJU	S&P Japan 500 Shariah	1026.601	1065.75	1129.41	1104.465	1104.726	1032.02	1015.125



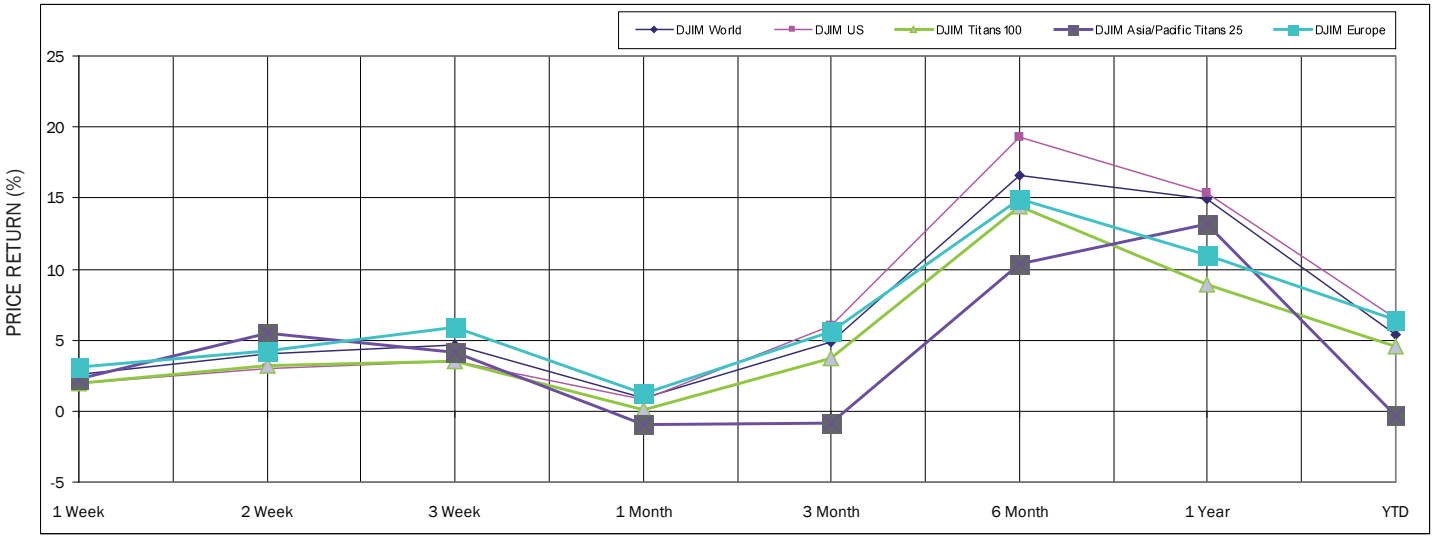
Index Code	Index Name	4-Apr-11	Mar-11	Feb-11	Jan-11	Dec-10	Nov-10	Oct-10
SPSHAS	S&P Pan Asia Shariah	1223.661	1202.539	1133.3	1170.956	1162.323	1075.868	1077.471
SPSHG	S&P GCC Composite Shariah	732.749	728.296	685.834	728.593	753.965	721.171	720.021
SPSHPA	S&P Pan Arab Shariah	123.191	122.631	116.293	122.54	127.698	122.361	122.657
SPSHBR	S&P BRIC Shariah	1515.614	1472.686	1390.791	1356.222	1338.497	1249.391	1266.724



Index Code	Index Name	4-Apr-11	Mar-11	Feb-11	Jan-11	Dec-10	Nov-10	Oct-10
SPSHGU	S&P Global Property Shariah	760.228	745.793	715.72	743.73	746.209	719.266	747.598
SPSHIF	S&P Global Infrastructure Shariah	90.383	89.633	89.602	89.978	91.68	87.253	88.875

Data as of the 6th April 2011

PERFORMANCE OF DJ INDEXES



INDEX	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	2.61	3.99	4.66	0.92	4.82	16.61	14.9	5.41
DJIM US	1.98	3.04	3.48	0.78	5.96	19.34	15.34	6.56
DJIM Titans 100	1.93	3.2	3.54	0.08	3.72	14.38	8.94	4.59
DJIM Asia/Pacific Titans 25	2.28	5.53	4.09	-0.94	-0.86	10.39	13.12	-0.38
DJIM Europe	3.07	4.27	5.85	1.21	5.62	14.88	11.03	6.44

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

DESCRIPTIVE STATISTICS	Market Capitalization (US$ billion)							Component Weight (%)	
INDEX	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2523	18603.42	14570.35	5.78	1.15	427.96	0.007826	2.9372	0.000054
DJIM US	583	7664.43	7221.35	12.39	3.62	427.96	0.158014	5.9263	0.002188
DJIM Titans 100	100	7540.09	6744.43	67.44	47.33	424.63	12.587377	6.296	0.186634
DJIM Asia/Pacific Titans 25	25	1187.47	813	32.52	29.16	89.2	12.587377	10.9723	1.548264
DJIM Europe	267	3556.25	2840.79	10.64	2.56	142.16	0.269924	5.0042	0.009502
DJIM GCC	111	191.77	82.86	0.75	0.29	9.17	0.014231	11.0729	0.017176
DJIM MENA	160	378.55	109.66	0.69	0.15	14.56	0.007826	13.2783	0.007136
DJIM ASEAN	239	504.49	197.03	0.82	0.17	16.95	0.00236	8.6009	0.001198

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

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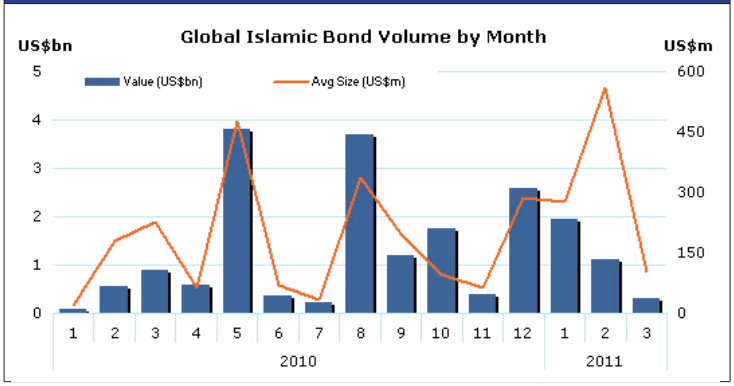
TOP 30 ISSUERS OF ISLAMIC BONDS *12 Months*

	Issuer	Nationality	Instrument	Market	Amt US$	Iss	%	Managers
1	Saudi Electricity	Saudi Arabia	Sukuk	Domestic market public issue	1,866,000,000	1	10.6	HSBC, Samba Capital
2	Cagamas	Malaysia	Sukuk	Domestic market private placement; Domestic market public issue	1,430,000,000	10	8.1	AmInvestment Bank, RBS, RHB Capital, Al-Rajhi Banking & Investment, HSBC, CIMB Group, Maybank Investment Bank, Standard Chartered Bank
3	Celcom Transmission (M)	Malaysia	Sukuk	Domestic market public issue	1,329,000,000	1	7.5	CIMB Group, Maybank Investment Bank
4	Senai Desaru Expressway	Malaysia	Sukuk	Domestic market public issue	1,275,000,000	2	7.2	Maybank Investment Bank
5	1Malaysia Sukuk Global	Malaysia	Sukuk Ijarah	Euro market public issue	1,250,000,000	1	7.1	HSBC, Barclays Capital, CIMB Group
6	Danga Capital	Malaysia	Sukuk Wakalah	Foreign market private placement	1,089,000,000	1	6.2	OCBC, DBS, CIMB Group
7	GovCo Holdings	Malaysia	Sukuk Murabahah	Domestic market private placement	985,000,000	1	5.6	HSBC, RHB Capital, CIMB Group
8	Pengurusan Air SPV	Malaysia	Sukuk Murabahah	Domestic market private placement	884,000,000	1	5.0	HSBC, CIMB Group
9	Malaysia Airports Capital	Malaysia	Sukuk Ijarah	Domestic market public issue	792,000,000	2	4.5	CIMB Group, Citigroup
10	Qatar Islamic Bank	Qatar	Sukuk Ijarah, Sukuk Murabahah	Euro market public issue	750,000,000	1	4.2	HSBC, Credit Suisse, QInvest
10	Abu Dhabi Islamic Bank	UAE	Sukuk Musharakah	Euro market public issue	750,000,000	1	4.2	Standard Chartered, HSBC, Barclays Capital
12	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market public issue	500,000,000	1	2.8	Standard Chartered, HSBC, CIMB Group, Citigroup
12	Emaar Sukuk	UAE	Sukuk	Euro market public issue	500,000,000	1	2.8	Standard Chartered, HSBC, RBS
14	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	393,000,000	1	2.2	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, AmInvestment Bank, Maybank Investment Bank
16	National Bank of Abu Dhabi	UAE	Sukuk Murabahah	Foreign market public issue	312,000,000	2	1.8	HSBC, RBS, 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	1.6	CIMB Group
19	Bank Aljazira	Saudi Arabia	Sukuk Mudarabah	Domestic market private placement	267,000,000	1	1.5	JPMorgan, HSBC
20	Padiberas Nasional	Malaysia	Sukuk Musharakah	Domestic market public issue	240,000,000	2	1.4	Standard Chartered, Bank Muamalat Malaysia
21	Trans Thai-Malaysia Sukuk	Malaysia	Sukuk Musharakah	Domestic market private placement	195,000,000	1	1.1	HSBC, CIMB Group
22	AmIslamic Bank	Malaysia	Sukuk Musharakah	Domestic market public issue	177,000,000	1	1.0	AmInvestment Bank
23	Maju Expressway	Malaysia	Sukuk Musharakah	Domestic market public issue	168,000,000	1	1.0	CIMB Group
24	Pelabuhan Tanjung Pelepas	Malaysia	Sukuk	Domestic market public issue	167,000,000	1	1.0	RHB Capital, Maybank Investment Bank
25	Boustead Holdings	Malaysia	Sukuk	Domestic market private placement	163,000,000	2	0.9	OCBC, Public Bank, Affin Investment Bank
26	Putrajaya Holdings	Malaysia	Sukuk Musharakah	Domestic market public issue	161,000,000	1	0.9	CIMB Group, AmInvestment Bank, Maybank Investment Bank
27	Malaysia Debt Ventures	Malaysia	Sukuk Murabahah	Domestic market public issue	158,000,000	1	0.9	Lembaga Tabung Haji, RHB Capital, CIMB Group
28	Nomura Sukuk	Japan	Sukuk Ijarah	Euro market public issue	100,000,000	1	0.6	KFH
28	Kuveyt Turk Katilim Bankasi	Kuwait	Debut Turkish Murabahah sukuk issue.	Euro market public issue	100,000,000	1	0.6	KFH, Citigroup
30	MISC	Malaysia	Sukuk Murabahah	Domestic market public issue	81,000,000	1	0.5	HSBCCIMB Group, AmInvestment Bank
	Total				**17,689,000,000**	**89**	**100**	

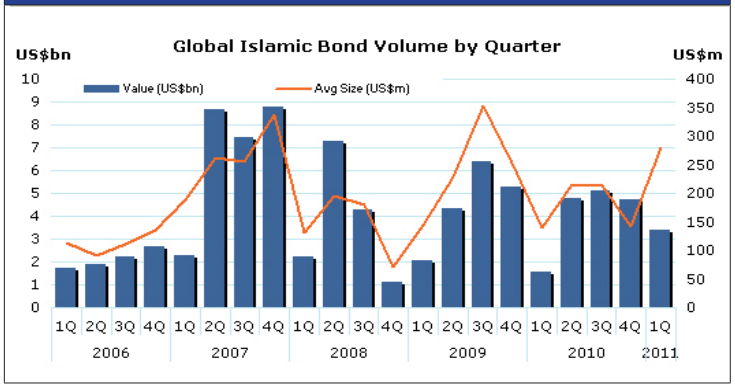
20 MOST RECENT GLOBAL ISLAMIC BONDS

Priced	Issuer	Nationality	Instrument	Market	Value US$	Managers
29th Mar 2011	Bank Aljazira	Saudi Arabia	Sukuk Mudarabah	Domestic market private placement	267,000,000	JPMorgan, HSBC
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 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, 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

GLOBAL ISLAMIC BOND VOLUME BY MONTH



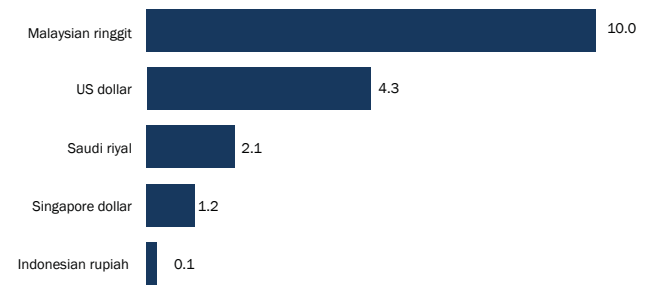
GLOBAL ISLAMIC BOND VOLUME BY QUARTER



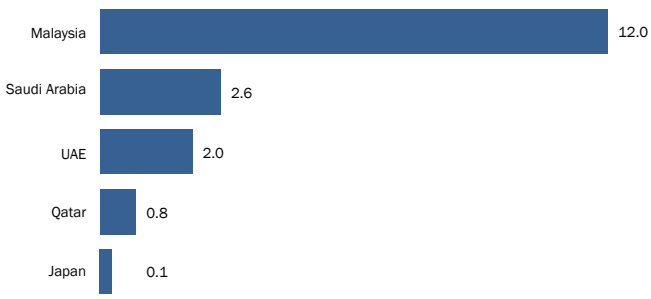
TOP 30 MANAGERS OF ISLAMIC BONDS *12 Months*

	Manager	Amt US$	Iss	%
1	CIMB Group	4,249,000,000	44	24.0
2	HSBC	3,435,000,000	15	19.4
3	Maybank Investment Bank	2,463,000,000	22	13.9
4	AmInvestment Bank	1,054,000,000	11	6.0
5	Samba Capital	933,000,000	1	5.3
6	Citigroup	767,000,000	5	4.3
7	Standard Chartered Bank	685,000,000	7	3.9
8	Barclays Capital	667,000,000	2	3.8
9	RHB Capital	658,000,000	6	3.7
10	RBS	522,000,000	4	3.0
11	OCBC	407,000,000	2	2.3
12	DBS	363,000,000	1	2.1
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	1.0
16	KFH	150,000,000	2	0.9
17	JPMorgan	133,000,000	1	0.8
18	Lembaga Tabung Haji	131,000,000	3	0.7
19	Al-Rajhi Banking & Investment	122,000,000	2	0.7
19	Affin Investment Bank	74,000,000	2	0.4
21	Public Bank	44,000,000	1	0.3
22	Kenanga Investment Bank	33,000,000	1	0.2
23	Mitsubishi UFJ Financial Group	25,000,000	3	0.1
24	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
27	(Persero) Danareksa	18,000,000	1	0.1
28	EON Bank	12,000,000	1	0.1
29	Indo Premier Securities	11,000,000	1	0.1
30	OSK	9,000,000	2	0.1
	Total	**17,689,000,000**	**89**	**100**

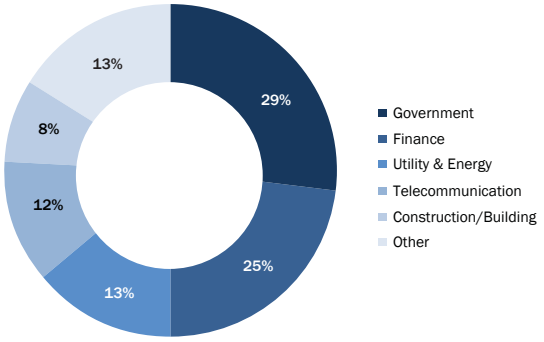
ISLAMIC BOND VOLUME BY CURRENCY US$ (BILLION)



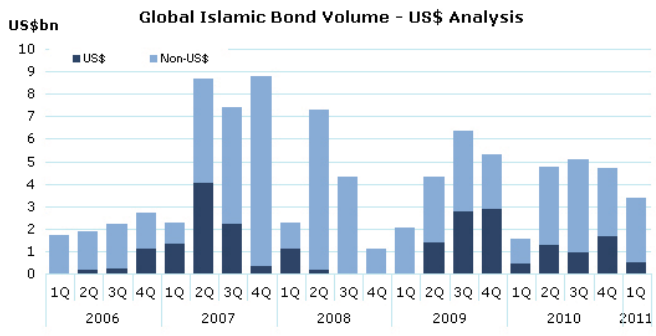
ISLAMIC BOND VOLUME BY ISSUER NATION US$ (BILLION) - *12 Months*



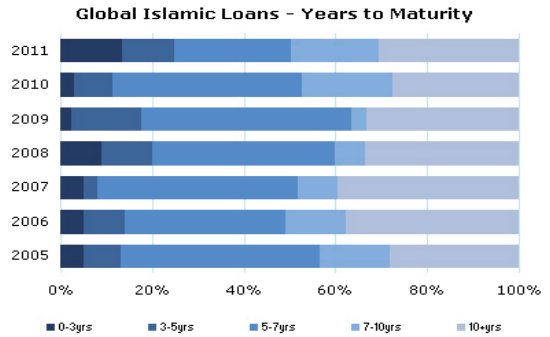
GLOBAL ISLAMIC BOND VOLUME BY SECTOR - *12 Months*



GLOBAL ISLAMIC BOND VOLUME - US$ ANALYSIS



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



ALL DATA AS OF THE 4th APRIL 2011

SUKUK MANAGERS (12 months) APR 2010 – APR 2011

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	27,450,741,350	119	59.2
2	CIMB	6,506,823,373	95	14.0
3	Malayan Banking	3,209,874,428	114	6.9
4	HSBC Banking Group	1,973,156,368	27	4.3
5	RHB Banking Group	1,142,027,350	26	2.5
6	AMMB Holdings	962,424,206	61	2.1
7	Malaysian Industrial Development Finance	828,757,949	190	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	0.8
13	Kuwait Finance House	200,000,000	2	0.4
14	EON Capital	178,469,508	56	0.4
15	Indonesia (Government)	172,097,265	6	0.4
16	OSK Holdings	163,219,414	19	0.4
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) JAN 2011 - APR 2011

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	6,190,036,150	25	57.4
2	CIMB	1,247,297,040	17	11.6
3	HSBC Banking Group	978,399,795	7	9.1
4	Malayan Banking	417,657,435	13	3.9
5	RHB Banking Group	377,020,185	7	3.5
6	Bukhary Capital Sdn	228,571,700	2	2.1
7	Standard Chartered Bank	208,308,245	2	1.9
8	Indonesia (Government)	166,566,315	4	1.5
9	Malaysian Industrial Development Finance	166,131,431	42	1.5
10	AMMB Holdings	149,021,413	16	1.4
11	OCBC Bank	61,449,189	3	0.6
12	OSK Holdings	56,511,487	5	0.5
13=	Andalan Artha Advisindo Sekuritas	47,145,179	2	0.4
13=	Trimegah Securities	47,145,179	2	0.4
13=	Danareksa Sekuritas	41,641,579	1	0.4
13=	Mega Capital Indonesia	41,641,579	1	0.4
13=	Bank Permata	41,641,579	1	0.4
13=	Reliance Securities	41,641,579	1	0.4
13=	Sucorinvest Central Gani	41,641,579	1	0.4
13=	Kresna Graha Sekurindo	41,641,579	1	0.4
13=	Citigroup	41,641,579	1	0.4

SUKUK ISSUERS (12 months) APR 2010 – APR 2011

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	BNM Sukuk	24,717,923,050	99	48.7
2	Malaysia (Government)	3,351,743,800	20	6.6
3	Pengurusan Air SPV	2,002,481,940	6	3.9
4	Perusahaan Penerbit SBSN Indonesia	1,984,216,270	7	3.9
5	Senai-Desaru Expressway	1,821,445,920	42	3.6
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	904,261,769	16	1.8
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	BMA International Sukuk	371,329,900	13	0.7
19	Padiberas Nasional	364,357,251	4	0.7
20	Aman Sukuk	360,773,600	6	0.7

SUKUK ISSUERS (3 months) JAN 2011 - APR 2011

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	BNM Sukuk	6,646,881,950	25	52.9
2	Govco Holdings	983,928,000	2	7.8
3	Perusahaan Penerbit SBSN Indonesia	963,662,475	3	7.7
4	Pengurusan Air SPV	884,231,100	3	7.0
5	Pakistan, Islamic Republic of (Government)	555,696,307	1	4.4
6	Emaar Sukuk	500,000,000	1	4.0
7	Aman Sukuk	360,773,600	6	2.9
8	Maybank Islamic	330,557,000	1	2.6
9	Padiberas Nasional	235,428,851	3	1.9
10	Bank Indonesia	215,448,960	3	1.7
11	BMA International Sukuk	175,037,420	6	1.4
12	KNM Capital	64,094,745	6	0.5
13	Perbadanan Kemajuan Negeri Selangor	59,235,680	3	0.5
14	TSH Sukuk Ijarah	42,744,160	3	0.3
15	Goodway Integrated Industries	39,380,810	9	0.3
16	Hubline	36,069,155	3	0.3
17	Bank Pembangunan Malaysia	33,055,700	1	0.3
18	Toyota Capital Malaysia	32,797,600	1	0.3
19=	ESSO Malaysia	32,653,100	1	0.3
19=	Sunrise	32,653,100	1	0.3

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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 4th APRIL 2011

LOAN MANDATED LEAD ARRANGERS (12 Months) APR 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	17.56
2=	Credit Agricole	675,997,446	4,064,828,226	3	8.78
2=	Samba	675,997,446	4,064,828,226	3	8.78
4	HSBC	644,583,333	4,237,000,000	4	8.38
5	National Commercial Bank	631,193,862	3,975,221,058	3	8.20
6	ADIB	561,678,136	745,179,136	3	7.30
7	Arab Bank	544,583,333	3,937,000,000	3	7.08
8	Saudi Hollandi	499,583,333	3,712,000,000	2	6.49
9	Citigroup	307,853,550	307,853,550	2	4.00
10	WestLB	295,000,000	475,000,000	4	3.83
11	Al Hilal Bank	183,500,999	367,001,999	1	2.38
12	Standard Chartered	120,333,333	435,000,000	2	1.56
13=	Islamic Development Bank	119,083,333	1,429,000,000	1	1.54
13=	Saudi Investment Bank	119,083,333	1,429,000,000	1	1.54
13=	Bank Al-Jazira	119,083,333	1,429,000,000	1	1.54
13=	Al Rajhi	119,083,333	1,429,000,000	1	1.54
13=	Riyad Bank	119,083,333	1,429,000,000	1	1.54
18=	Masraf Al Rayan	100,000,000	300,000,000	1	1.30
18=	Royal Bank of Scotland	100,000,000	300,000,000	1	1.30
20=	Arab Banking Corp	83,333,333	250,000,000	1	1.08
20=	Noor Islamic Bank	83,333,333	250,000,000	1	1.08
22=	BNP Paribas	45,000,000	225,000,000	1	0.58
22=	Gulf International Bank	45,000,000	225,000,000	1	0.58
24=	ADCB	37,000,000	185,000,000	1	0.48
24=	Deutsche	37,000,000	185,000,000	1	0.48
24=	Mubadala GE Capital	37,000,000	185,000,000	1	0.48
24=	Development Bank of Singapore	37,000,000	185,000,000	1	0.48

LOAN BOOKRUNNERS (12 Months) APR 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	44.96
2	ADIB	378,177,137	378,177,137	2	15.46
3	WestLB	325,000,000	475,000,000	4	13.28
4	Citigroup	307,853,550	307,853,550	2	12.58
5=	Deutsche	92,500,000	185,000,000	1	3.78
5=	Standard Chartered	92,500,000	185,000,000	1	3.78
7=	HSBC	75,000,000	225,000,000	1	3.06
7=	BNP Paribas	75,000,000	225,000,000	1	3.06

ISLAMIC LOANS RAISED (12 Months) APR 2010 – MAR 2011

	Borrower	Country	Islamic Loan Amount (US$)
1	Marafiq	Saudi Arabia	2,283,000,000
2	Jubail 2	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	Turkiye Finans Katilim Bankasi	Turkey	294,853,550
9	Albaraka Turk Katilim Bankasi	Turkey	250,000,000
10	Ras Al Khaiman Ceramics	UAE	225,000,000
11	GMMOS	UAE	185,000,000
12	Emirates Trading Agency	UAE	100,000,000
13	Gulf Finance House	Bahrain	100,000,000
14	Emirates National Factory for Plastic	UAE	68,067,959
15	Bukhatir	UAE	50,000,000
16	Adopen Plastik ve Insaat	Turkey	13,000,000

ALL DATA AS OF THE 4th APRIL 2011

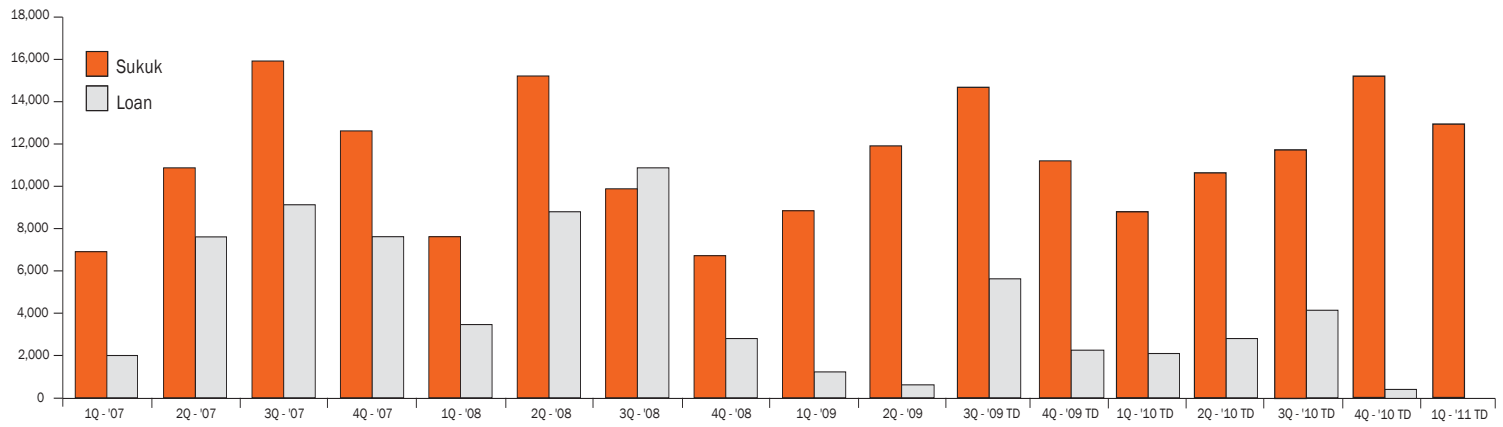
SUKUK BY COUNTRY	(12 Months)	APR 2010 – MAR 2011
Country	**Volume Issued**	**Volume Outstanding**
Malaysia	42,650,816,374	21,867,049,290
Eurobond	3,000,000,000	3,000,000,000
Indonesia	2,984,754,614	2,454,003,624
Pakistan	1,594,481,152	1,594,481,152
Bahrain	371,329,900	254,599,020
US	125,000,000	125,000,000
Singapore	74,243,950	74,243,950
Saudi Arabia	-	-
Cayman Islands	-	-
UAE	-	-
Jersey	-	-

LOANS BY COUNTRY	(12 Months)	APR 2010 – MAR 2011
Country	**Volume (US$)**	**Market Share (%)**
Saudi Arabia	5,427,929,268	70.6
UAE	1,305,179,136	17.0
Turkey	557,853,550	7.3
Qatar	300,000,000	3.9
Bahrain	100,000,000	1.3

SUKUK BY INDUSTRY	(12 Months)	APR 2010 – MAR 2011
Industry	**Volume Issued**	**Volume Outstanding**
Other financial	35,969,400,088	16,767,180,831
Sovereign	5,850,486,721	5,288,558,831
Agency	2,152,842,380	2,089,442,170
Manufacturing	1,730,936,413	980,981,238
Banks	1,586,981,450	1,586,981,450
Telephone	1,342,937,400	1,342,937,400
Transportation	568,432,015	447,280,530
Energy company	564,034,195	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)	APR 2010 – MAR 2011
Industry	**Volume (US$)**	**Market Share(%)**
Construction	2,608,000,000	33.9
Oil and gas	1,614,000,000	21.0
Retail & supermarkets	1,099,879,984	14.3
Financial services	694,853,550	9.0
Utilities	616,049,284	8.0
Manufacturing	367,001,999	4.8
Services	310,109,178	4.0
Real estate	300,000,000	3.9
Chemicals & plastics	81,067,959	1.1

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



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FTSE Shariah Global Equity Index Series

The FTSE Shariah All-World Index in March finished the month in positive territory, up 0.6%, with Emerging markets outperforming Developed markets by 3.8% over the period.
The best performing region in March was Middle East & Africa, with a performance of 4.6%, followed by Emerging Europe with a performance of 3.1%. Philippines was the best performing country with a performance of 17.1%, with Korea being the second best performing country finishing the month on 12%. Both Peru and Japan were the worst performers in March with a performance of -6.9% and -5.9%, respectively.

Index	No. of constituents	Performance based on percentage (%)						
		1 Month	3 Months	6 Months	Year-to-Date	1 Year	3 Years	5 Years
FTSE SHARIAH GLOBAL EQUITY INDEX SERIES								
FTSE Shariah All World Index	1374	0.62	5.01	16.43	5.01	16.54	8.97	33.12
FTSE Shariah ASEAN Index	66	4.54	1.89	8.06	1.89	22.87	10.29	95.47
FTSE Shariah Asia Pacific ex Japan Index	425	5.87	2.07	12.86	2.07	20.41	17.80	83.14
FTSE Shariah Asia Pacific Index	669	1.07	0.62	11.87	0.62	14.58	8.99	32.36
FTSE Shariah Dev Asia Pacific ex Japan Index	171	6.48	4.07	16.07	4.07	22.53	23.09	108.63
FTSE Shariah Developed Asia Pacific Index	415	-0.36	0.98	12.96	0.98	13.46	7.60	21.14
FTSE Shariah Developed Europe Index	224	0.07	6.51	15.76	6.51	15.50	1.33	33.13
FTSE Shariah Developed ex Japan Index	736	0.80	6.09	17.64	6.09	17.44	10.59	35.45
FTSE Shariah Developed ex US Index	687	-0.33	4.32	15.10	4.32	15.38	4.69	32.37
FTSE Shariah Developed Index	980	0.16	5.34	16.94	5.34	16.31	9.31	30.08
FTSE Shariah Emerging Index	394	3.91	2.81	13.01	2.81	18.30	7.01	58.85
FTSE Shariah Europe Index	263	0.33	7.21	16.85	7.21	16.46	0.06	32.13
FTSE Shariah Eurozone Index	118	1.38	8.61	16.71	8.61	13.61	-7.94	25.84
FTSE Shariah Japan 100 Index	100	-6.14	-1.20	10.17	-1.20	6.03	-4.62	-6.28
FTSE Shariah Latin America Index	58	1.53	2.03	9.37	2.03	9.67	5.98	93.98
FTSE Shariah Middle East & Africa Index	48	4.61	-1.25	10.83	-1.25	16.49	17.32	46.22
FTSE Shariah Multinational 150 Index	154	-0.43	5.17	17.52	5.17	14.70	9.38	36.97
FTSE Shariah North America Index	336	0.39	6.30	19.07	6.30	18.01	14.53	30.65
FTSE Shariah USA Index	293	0.65	6.39	18.85	6.39	17.27	14.53	27.99
FTSE BURSA MALAYSIA INDEX SERIES								
FTSE Bursa Malaysia EMAS Shariah Index	280	4.86	5.69	13.01	5.69	28.91	56.33	143.17
FTSE Bursa Malaysia Hijrah Shariah Index	30	4.67	6.25	12.00	6.25	27.13	44.80	158.95
FTSE DIFX SHARIAH INDEX SERIES								
FTSE DIFX Qatar 10 Shariah Index	10	9.10	4.68	20.85	4.68	27.47	23.38	-
FTSE DIFX Kuwait 15 Shariah Index	15	-2.93	-9.52	-1.92	-9.52	3.35	-50.59	-
FTSE SGX SHARIAH INDEX SERIES								
FTSE SGX Asia Shariah 100 Index	100	-0.96	-0.29	11.28	-0.29	12.43	3.53	16.74
FTSE SET INDEX SERIES								
FTSE SET Shariah Index	70	8.75	4.14	13.47	4.14	45.06	34.56	132.71
FTSE TWSE TAIWAN INDEX SERIES								
FTSE TWSE Taiwan Shariah Index	61	0.78	-3.54	13.57	-3.54	20.74	15.48	56.77

Source: Source: FTSE Group, total return data in USD as at 31st March 2011

EVENTS DIARY

DATE	EVENT	VENUE	ORGANIZER
April			
4th – 5st	6th World Halal Forum	Kuala Lumpur	World Halal Forum
10th – 11th	6th Annual World Takaful Conference (WTC 2011)	Dubai	MEGA Events
12th	Islamic Finance: Making it Real	London	Globe Law and Business
May			
9th	IFN Roadshow Australia	Melbourne	REDmoney *events*
16th – 17th	7th Annual Middle East Project Finance Forum	Doha	Fleming Gulf Conferences
June			
8th	IFN Roadshow Thailand	Bangkok	REDmoney *events*
July			
7th – 8th	IFN Europe Forum	London	REDmoney *events*
25th	IFN Roadshow Pakistan	Karachi	REDmoney *events*
27th	IFN Roadshow India	Mumbai	REDmoney *events*
September			
20th	IFN Roadshow Korea	Seoul	REDmoney *events*
22nd	IFN Roadshow Japan	Tokyo	REDmoney *events*
October			
17th – 19th	IFN Asia Forum	Kuala Lumpur	REDmoney *events*
November			
1st	IFN Roadshow Turkey	Istanbul	REDmoney *events*
3rd	IFN Roadshow Egypt	Cairo	REDmoney *events*
8th	IFN Roadshow Canada	Toronto	REDmoney *events*
10th	IFN Roadshow New York	New York	REDmoney *events*
15th	IFN Roadshow Hong Kong	Hong Kong	REDmoney *events*
30th	IFN Roadshow Brunei	Brunei	REDmoney *events*

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Company Index

Islamic Finance *news* Awards

Law

Poll 2011

LEADING LAWYERS 2011

Launched in 2011, the IFN Law Poll builds on the highly regarded IFN Leading Lawyers which was launched in 2008. Focusing on the law firms, rather than the individuals as with the Leading Lawyers, the IFN Law Poll provides an annual guide to which legal entities are recognized amongst their clients and peers as the best in certain categories

The purpose of this survey is to ascertain the individuals and the firms that are held in high regard in their respective fields within the Islamic finance industry. Survey participants were requested to take into account only those individuals they had, at some stage over the past 12 months, been directly involved with. Only those individuals with three or more votes will be named as a Leading Lawyer in each of these categories.

By participating in this survey, you are entitled to receive a FREE copy of the IFN Law Guide 2011 (July 2011) plus a 2 week full access to Islamic Finance *news* content – www.islamicfinancenews.com

Closing Date: Friday 29th April 2011

Contact Details			
Name		**Company**	
Business Email		**Phone**	

Categories	IFN Law Poll 2011	IFN Leading Lawyers 2011	
Asset & Fund Management	Law Firm :	Laywer name: Laywer name:	Law firm: Law firm:
Banking & Capital Markets	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Corporate & Commercial	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Cross Border	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Energy & Natural Resources	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Insolvency & Restructuring	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Litigation & Dispute Resolution	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Mergers & Acquisitions	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Offshore Finance	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Private Equity	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Project & Infrastructure Finance	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Real Estate & Property	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Structured Finance	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Takaful & ReTakaful	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Tax	Law firm :	Laywer name: Laywer name:	Law firm: Law firm:
Best Overall Law Firm	Law firm :		

Thank you for participating in the poll.

Results: The results will be announced on the 4th May issue in the IFN weekly newsletter and will be published in the IFN Legal Guide in July 2011.

Awards Ceremony: In recognition of the IFN Law Poll winners, an awards dinner ceremony will take place on the 7th July in London. This gala dinner will be held in conjunction with the IFN Europe Issuers and Investors Forum 2011 in the Grand Eastern Room, Andaz Hotel on Liverpoll Street. For more information, please contact **Geraldine Chan** at **geraldine.chan@redmoneygroup.com** or call +603 2162 7808.