Islamic Finance news

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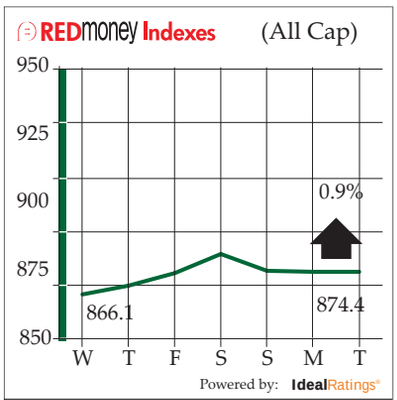

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New kid on the block

Last week the IDB, Saudi-based Dallah Albaraka and the Qatar government signed an MoU to finally bring into reality the long-awaited Islamic megabank. As the world awaits further developments, we take a preliminary look at what the bank could mean for Islamic finance in Qatar and on the wider global stage.

The decision to base the bank in Qatar came as something of a surprise, as most of the reports in the run-up to the announcement last year touted Bahrain as the leading contender for its establishment. However, the negative impact of the Arab spring and ongoing political unrest and the strong economic performance of Qatar may have contributed to the decision. So what does Qatar have to offer the new megabank, and what can it provide in return?

Flush with cash

Qatar's economy has prospered in recent years despite the regional political issues and the global financial crisis. The Qatari authorities have actively protected the banking sector with direct investments into domestic banks, while increasing oil prices and growing private and foreign investment into the non-energy sector have supported the economy. In 2011 the country reported a surplus of around 28% of GDP or US$47 billion. In 2010 the country was the richest per capita in the world and has experienced one of the highest global growth rates over the past decade with GDP jumping by 17% in 2010 and 19% in 2011, although predicted to lose steam in 2012 to around 6% on the back of lower oil prices, according to the IMF.

A wealth of opportunity

Bank of America Merrill Lynch's quarterly MENA report, released in April 2012, also noted that Qatar's credit growth is far outpacing the rest of the GCC; with total loans growth of 31% in February.

"However, unlike a year ago, loan growth is no longer driven mostly by the public sector, but largely funded in turn by public or private 'quasi-public' deposits", offering tempting opportunities for private sector financing. Massive infrastructure demand in advance of the 2022 World Cup is also expected to kickstart the economy, with a planned spend of around US$100 billion between 2010-2015, offering a wealth of opportunity for the new bank to take advantage of the cash-rich financing deals available.

Rich and strong

Qatar has always had a strong Islamic banking sector, with total Islamic banking assets of around QAR174 billion (US$47.7 billion). In 2010 a survey found Masraf Al Rayan (MAR) to be the best performing bank in the GCC, with Qatar International Islamic Bank (QIIB) taking second place and Saudi Arabia's Al Rajhi in third. Fifteen of the top 20 banks were from Qatar or the UAE, with Qatar Islamic Bank (QIB) in 12th place. In comparison, Qatar National Bank was the highest-placed conventional bank at 14.

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Exciting times in Islamic finance

Editor's Note

Our industry is currently undergoing an exciting stage of its growth. Globally, Sukuk sales are reaching unprecedented levels; the market is seeing the entrance of new players and issuers; and this year, we expect to see the establishment of an Islamic megabank in Qatar – the initial hype of which has elevated the impending bank's status to almost mythical proportions.

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Faisal Islamic Bank to deploy ETHIX-Financial Solutions

ICD signs on as transaction advisor to US$300 million Marutanian sovereign Sukuk

The Development Bank of Kazakhstan may need to pay more for Malaysian ringgit-denominated Sukuk

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Brunei's Islamic banking market share expected to grow up to 60% within the next five years

Maybank Investment Bank increases stake in Jeddah-based **Anfaal Capital**

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Bank Syariah Bukopin targeting up to 45% growth in third party funds

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Asian Finance Bank returns to the black on corporate banking focus

Affin Holdings still keen on stake in Indonesia's **Bank Ina Perdana**

Saudi Arabia's banks report strong results for the first quarter of 2012

Affin Holdings still awaiting approval from China's regulators for Islamic banking and services

Al Amanah Islamic Investment Bank of the Philippines seeks partnership with Islamic finance agencies

Bank Asya expects to double gold deposits by the end of 2012

IDB calls for more Islamic investments in the Turkish Republic of Northern Cyprus

Kuwait's **Warba Bank** signs two agreements with **Standard Chartered Bank**

IFSB publishes new guidelines on liquidity risk management and stress testing

National Bank of Kuwait receives central bank's approval to raise stake in **Boubyan Bank**

Sakana signs MoU with **The Developers WLL** to provide mortgage financing

Pakistan invites Malaysia to explore Islamic banking opportunities

Qatar may list Sukuk and conventional bonds this year

Gulf Finance House in talks to reschedule Sukuk repayment

Qatar Islamic Bank reports US$107 million in first quarter net profit

Dubai may need to sell more assets to fund US$80 billion in debt, say analysts

Jordan Dubai Islamic Bank picks **SunGard**'s Ambit credit risk solution

Emirates Airline could pay less than other Gulf corporate issuers to sell Sukuk

Bank Nizwa to open subscriptions for IPO in April

Yields on **Nakheel** Sukuk decline as investors regain confidence in Dubai economy

Launch of Oman's first Islamic bank delayed to the second half of 2012, says central bank

Abu Dhabi Islamic Bank joins **Dubai Duty Free**'s US$1.1 billion financing as lead arranger

Nakheel eyes third Sukuk issuance in June 2012

Planned Sukuk sales signal recovery of Dubai's property firms

AJIL Financial Services Company issues first Sukuk

Qatar International Islamic Bank posts US$48 million in net profit for the first quarter of 2012

Kuwait Stock Exchange to unveil **Nasdaq**-backed trading system on the 13th May 2012

Dubai Group comes up with new proposal for creditors

Bank Aljazira provides financing for **Mizat Development Company**'s residential project in Riyadh

Tamweel Sukuk announces periodic distribution of US$2.86 million

ISLAMIC INVESTOR

BMCE Capital Gestion may offer Islamic funds

OSK Investment Bank finalizing establishment of Islamic stockbroking business

India's Shariah compliant funds outperforms BSE Sensex index in 2011

TAKAFUL

Global Takaful market expected to hit US$12 billion this year

Solidarity General Takaful opens new service center

BNI Life Insurance seeks to increase premium revenue by the end of this year

Great Eastern Takaful expects strong year ahead

RATINGS

MARC affirms **Gas Malaysia**'s US$163 million Murabahah medium-term notes program at 'AAAID'

S&P assigns 'A-/A-2' long- and short-term counterparty credit ratings to **Qatar Islamic Bank**

RAM reaffirms rating on **Cagamas MBS**' US$687 million Islamic residential mortgage-backed securities

RAM revises outlook on **Naim Holdings**' US$163 million IMTN program

CI affirms **Commercial Bank of Kuwait**'s ratings

MOVES

SHUAA Capital names **Colin Macdonald** as new CEO

AMMB Holdings names two new senior appointments

DIFC Authority names Abdul Aziz Al Ghurair as chairman

Legal firm **Curtis Mallet-Prevost, Colt & Mosle** names **Michael McMillen** as partner

New kid on the block

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Before the 2011 Qatar Central Bank directive ordering the closure of Islamic windows, the Islamic banking sector held around 31% of total banking assets in the country: with Islamic windows of conventional banks holding around 9.6% and standalone Islamic banks accounting for 21%. While this may have declined slightly due to the closure of some Islamic accounts or their transition to conventional banks, Qatar still maintains one of the highest Islamic banking ratios in the world.

Greener grass

With a highly concentrated sector populated by just four institutions (QIB, MAR and QIIB, with Barwa Bank trailing behind), strong and stable asset quality and no Islamic windows, the sector is highly attractive to new banks. In 2011 several foreign banks were reportedly looking to the country, attracted by its strong and well-regulated operating environment, limited competition and tremendous potential for growth. The UAE, with its over-crowded market, constrained credit expansion and flat financing growth, is demonstrating particular interest. Qatar's central bank has already recognized this potential and is working on a new set of capital adequacy requirements for Islamic banks to make operation easier.

High hopes

So the new megabank looks to have chosen its setting wisely. But what can it offer in return?

The bank is being formed by the IDB, Dallah Albaraka (a conglomerate founded by Saudi businessman Sheikh Saleh Kamal, who also founded the Al Baraka Banking Group) and the Qatar government. On paper, it looks strong. The IDB will provide it with the global reach and international development framework it needs, while the Qatar government will offer public support and ease its domestic operations. The president of the IDB, Ahmad Mohamed Ali Al-Madani, has said that the new bank will have a worldwide branch network and hopes to "facilitate the establishment of a financial market by Islamic banks and provide solutions for liquidity management," as well as financing infrastructure projects. And of course, as the location for the much-trumpeted new Islamic megabank Qatar would gain valuable publicity and recognition as a hub for Islamic finance.

Niggling doubts

This all sounds very impressive. But how realistic are these aims? While the global reach of the IDB and the support of its government partner will surely go a long way towards creating its global structure, the new bank has announced a paid-up capital of just US$1 billion (with US$500 million contributed by the three founders). This is a dramatic reduction from the originally announced capital of US$10 billion, and will considerably reduce the scope and effectiveness of the bank. With its reduced size, questions arise as to how competitive it can be, and what role it will really be able to play on the wider Islamic banking stage.

Playing with the big boys

The key question is whether the new megabank will be able to compete with the leading Islamic finance players in the region, and many industry experts have their doubts. "How can it compete with a bank like Al Rajhi, which has a market cap of US$30 billion?" queries one market player. Yet despite its obvious disadvantage of size, there are weaknesses in the current line-up which an energetic new bank with strong national and international support may be able to exploit. While most banks we contacted refused to comment, Islamic Finance *news* takes you on a tour of the current Islamic banking landscape to see where the new bank might fit in.

Al Rajhi — regional giant

Al Rajhi is certainly the leader in the field, with assets totaling US$62.4 billion as at March 2012, an increase of 15.3% from 2011 and almost a fifth of the region's entire banking assets. The bank has total equity of around US$8.08 billion and is one of the most profitable banks in the Middle East with net income of US$1.96 billion in 2011, an increase of 9% on 2010, and has the best return on equity in the world at 23%. With

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CLOSING BELL

HDFC to issue Sukuk

MALDIVES: Housing Development Finance Corporation (HDFC)'s recently set up Shariah committee has approved the issuance of a Sukuk Mudarabah to fund the establishment of an Islamic window; HDFC Amna.

The firm has yet to decide on the issuance size or date although it may be offered this year.

JCorp may pay less for upcoming Sukuk

MALAYSIA: State-owned investment company, Johor Corporation (JCorp), will probably pay less than 'AAA'-rated issuers to sell its RM3 billion (US$967.87 million) government-guaranteed Sukuk, according to market analysts from MCIS Zurich Insurance and Bangkok Bank.

According to the analysts, JCorp may price a 10-year Sukuk at 30 basis points more than conventional sovereign bonds, equivalent to 3.83%. 'AAA'-rated issuers Pembinaan BLT and PLUS' recent Islamic bond offerings were priced at 4.13% and 4.4%, respectively.

IDB and IFC join hands for MENA projects

GLOBAL: The IDB and the International Finance Corporation (IFC), a unit of the World Bank Group, are planning to jointly invest up to US$100 million in major infrastructure projects across the MENA region.

The institutions will contribute US$50 million each to the Arab Infrastructure Investment Vehicle, which is part of the Arab Financing Facility for Infrastructure, a joint initiative of the World Bank, the IDB and the IFC.

Adhi Karya to issue bonds to refinance debt

INDONESIA: State-owned construction company Adhi Karya is planning to issue IDR1.5 trillion (US$163.5 million)-worth of bonds in June this year to refinance IDR500 billion (US$53.8 million)-worth of maturing Sukuk and conventional bonds and to fund infrastructure projects.

The issuance will be sold in three tranches between this year and 2014.

New kid on the block

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a paid-up capital of SAR15 billion (US$4 billion) the bank is four times the size of the newly minted megabank, and offers strong competition for the title of Islamic 'megabank'. However, despite its size the bank has a limited international scope, with a presence only in Saudi Arabia (466 branchs), Kuwait (one branch), Jordan (two branches) and Malaysia (19 branches).

KFH– restructuring

Kuwait Finance House is another dominant regional player, with a reported market capitalization of US$7.75 billion and a paid-up capital of US$1.044 billion. In 2011 it reported assets of US$48.3 billion. It is a leading player in infrastructure financing in the region, and a leading issuer of Sukuk. It has also made a serious effort to expand outside its home territory, and now derives over 46% of its revenue from overseas: predominantly from its subsidiaries in Malaysia, Bahrain and Turkey.

However, in 2011 it saw profits plummet by almost a quarter (24%) to US$288.8 million. In 2012 the struggling bank is reportedly reshuffling its top management and selling, merging and restructuring its unprofitable subsidiaries, and there are rumors Al Rajhi Bank have begun preliminary talks to buy an "influential share". For a new and well-capitalized megabank, the established footprint of KFH could be an easy springboard into the big leagues.

HSBC Middle East– regrouping

HSBC is the largest and most widely represented international bank in the Middle East, and is the largest foreign bank in Qatar with four branches and a history dating back to 1954. The bank has assets of around US$41.57 billion. Its Islamic branch, HSBC Amanah, is one of the world's oldest and biggest Islamic windows and has a strong international presence across Bahrain, Bangladesh, Brunei, Indonesia, Malaysia, Mauritius, Saudi Arabia, the UAE and the UK.

HSBC MENA saw net income in 2011 of US$1.49 billion, up 67% from 2010, with Qatar accounting for US$112 million or 7.5% of the total, down from 15.5% in 2010. HSBC suffered a considerable loss on the retail side following the central bank directive, with its retail banking segment in Qatar making a loss of US$4 million in 2011 compared to a profit of US$19 million in 2010.

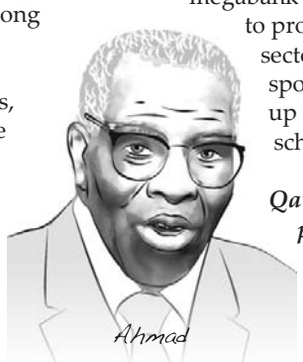
Bank	Market Cap	Paid-up Capital	2011 Net income	2011 Assets
Al Rajhi	30.49	4.0	1.96	62.4
Kuwait Finance House	7.75	1.044	0.288	48.3
HSBC MENA	n/a	n/a	1.49	57.4
Qatar National Bank	25.7	1.92	2.06	82.9
Qatar Islamic Bank	5.02	0.64	0.374	16.2
Masraf Al Rayan	5.6	1.13	0.38	15.1
Qatar International Islamic Bank	2.14	0.41	0.17	6.4

Source: IFN and annual reports

However, the bank continues to bolster its presence in the region. At the end of 2011 it bought around US$770 million of further assets, including the retail and commercial businesses of Lloyd's Banking Group. And although its Islamic business in Qatar might have closed, it plays a dominant role in regional Islamic financing. In 2010 HSBC Amanah won six Deal of the Year awards from Islamic Finance *news*, including the Qatar Deal of the Year for QIB's US$750 million Sukuk and the sovereign Deal of the Year for the Malaysian government's US$1.25 billion global Sukuk.

New kid on the block

If the new bank struggles to compete at the level of the current regional giants, surely it will at least have a positive effect on the Islamic banking industry of its chosen home? Saudi Arabia has Al Rajhi, Kuwait has KFH — perhaps the new megabank is just what Qatar needs to propel its domestic banking sector into the international spotlight. So how will it shape up against the other kids in school?



Qatar National Bank — playground bully

While not an Islamic bank, QNB acts as the bellweather of the Qatari economy due to its market share of around 45% of the total banking market. It is Qatar's largest lender by market value, with a market cap of QAR93.9 billion (US$25.7 billion) and a paid-up capital of QAR6.99 billion (US$1.92 billion) – almost twice the size of the proposed new bank.

Before the central bank directive QNB's Al-Islami unit was the biggest Islamic window in the country with assets of QAR30.2 billion (US$8.2 billion) or 55% of all Islamic banking window assets - 20% of total Islamic banking assets in the country — comprising about 15% of its total net income in 2010. However, the bank does not seem to have suffered from the forced closure of its window. Its net income increased by 31.6% to US$2.06 billion in 2011 while its total assets stand at US$82.9 billion, a growth of 35% from 2010.

In fact, there are fears that QNB is crowding out the market. Of the QAR8 billion (US$2.2 billion) increase in total credit the country saw in the first quarter of 2012 QAR7.2 billion (US$1.97 billion) was in new loans reported by QNB, suggesting slim pickings for the rest of the banks in the market.

Qatar Islamic Bank — head of the class

QIB is the largest Islamic lender in the country, and holds 37% of Islamic banking assets in the country. In 2010 it held QAR51.8 billion (USUS14.2 billion) in Islamic banking assets, or 43% of the total assets of standalone Islamic banks — a figure likely to have swelled since the closure of the banking windows. In 2011 it saw net income increase by 8% to QAR1.36 billion

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New kid on the block

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> ***"Perhaps the new megabank is just what Qatar needs to propel its domestic banking sector into the international spotlight"***

(US$374.8 million), while total assets grew 18.4% to US$16.2 billion.

In December QIB also purchased the Shariah compliant corporate portfolio of the International Bank of Qatar following the QCB ruling. "Our primary objective remains to enhance QIB's position as the domestic leader in Islamic finance", said QIB chairman Sheikh Jassim bin Hamad bin Jassim bin Jabr al Thani at the time.

The new megabank would represent direct competition for QIB, which has a market cap of QAR18.28 billion (US$5.02 billion) and a paid-up capital of just QAR2.36 billion (US$648 million), considerably less than the new bank. However, in a statement to Islamic Finance *news* QIB insisted that: "We take this opportunity to welcome this initiative, and we are delighted that the State of Qatar is a founding member and a host for this new bank. This will have very positive repercussions on the Islamic finance industry regionally and globally, and will position Qatar as an Islamic banking hub."

Masraf Al Rayan – school swot

MAR is Qatar's second largest Islamic lender and Qatar's fourth largest bank by market value with a market cap of QAR20.4 billion (US$5.6 billion). Masraf Al Rayan has an authorized capital of QAR7.5 billion (US$2.05 billion), of which 55% or QAR4.125 billion (US$1.13 billion) is currently paid, making it roughly equivalent to the new bank in terms of size. The bank is performing well, and in 2011 it posted a 16.3% increase in net profit to QAR1.41 billion (US$384.5 million) with a 59.4% increase in assets to QAR55.27 billion (US$15.17 billion).

Qatar International Islamic Bank — teacher's pet

QIIB is considerably smaller than its two main rivals, although it benefits from having the Qatar Investment Authority as its largest shareholder. It operates 15 branches across the country and has a market cap of just QAR7.79 billion (US$2.14 billion) and a paid-up capital of QAR1.51 billion (US$415.5 million) – half the size of the new bank. In the first quarter of 2012 it saw profits rise by 10% to QAR175.5 million (US$48 million), and in April 2012 CI raised QIIB's rating to 'A-' from 'BBB+' based on its strong liquidity and customer base and improved asset quality.

Mega what?

So although a new megabank would not be much smaller than its Islamic siblings, neither would it benefit from any signficant advantage in size. Its claims of enhancing liquidity management and assisting in the formation of a global Islamic financial market seem optimistic in the light of this comparison — how will it achieve this over the heads of larger, richer incumbents? Perhaps its value will come from its international presence and IDB support, as both the regional and domestic banks in the sector have an undeniably local focus with few forays outside their home territories.

But the question remains — if it is no bigger and no better, what will it do to deserve the tag 'mega'? — *LM*

Exciting times in Islamic finance

Editor's Note

Our industry is currently undergoing an exciting stage of its growth. Globally, Sukuk sales are reaching unprecedented levels; the market is seeing the entrance of new players and issuers; and this year, we expect to see the establishment of an Islamic megabank in Qatar — the initial hype of which has elevated the impending bank's status to almost mythical proportions.

This week, our cover story looks at what is expected of the megabank, what the bank can expect upon entering the market; and Qatar's role in its establishment; while we also have an IFN Correspondent report on the Islamic megabank.

Our features this week cover Shariah governance; in an article by Imran Hussain Minhas of the Securities & Exchange Commission of Pakistan; Islamic finance in Canada by Rehan Huda of Amana Canada Holdings; and the outlook for Islamic investing in the US, by Saeid Hamedanchi of Shariah Shares.

IFN Reports includes articles on Islamic trade financing and the Malaysian ringgit Sukuk market; while our other IFN Correspondent reports cover Islamic finance in India and Japanese Sukuk.

Daud Vicary Abdullah, our regular columnist, writes on the role of collaborative efforts from the Islamic finance industry to create a positive impact on the wider economic system; while Meet the Head talks to Fahrettin Yahsi, the general manager of Albaraka Türk Participation Bank; and Case Study looks at Maxis' RM2.45 billion (US$798.5 million) Sukuk Musharakah.

AFRICA

More funds for GFH project

MOROCCO: A consortium of banks led by Morocco's Banque Marocaine de Commerce Exteriur has signed an MoU with Royal Ranches Marrakech, a flagship property project of Gulf Finance House (GFH), to receive the second tranche of a financing facility to continue work on the development.

The MoU will see the banking consortium release the remainder of the facility as the project progresses.

ETHIX for Faisal Islamic Bank

EGYPT: Faisal Islamic Bank has signed an agreement with International Turnkey Systems to deploy its ETHIX-Financial Solutions software.

The software provides banks and financial institutions with predefined models for Islamic finance or investments.

ICD to advise Mauritania

MAURITANIA: The Islamic Corporation for the Development of the Private Sector (ICD) has signed an agreement with the government of Mauritania to act as the transaction advisor for its proposed Sukuk sale.

The sovereign Sukuk is expected to amount to US$300 million.

ASIA

5% for Kazakh Sukuk?

KAZAKHSTAN: The Development Bank of Kazakhstan, which plans to sell a Malaysian ringgit-denominated, US$300 million Sukuk, may need to pay a premium of more than 130 basis points over existing debt for the issuance.

According to Ian Lancaster, the CEO of Reliance Capital Asset Management's Reliance Asset which is interested in investing in the papers, investors may demand a yield of around 5% for the Islamic bond.

Maybank in possible Philippines foray

MALAYSIA: Maybank has been speculated to bid for the Philippines' Al-Amanah Islamic Investment Bank, the only bank in the country authorized to offer Islamic banking services.

Al-Amanah is said to be seeking a strategic partner through the sale of a 49% stake; or a full disposal to a foreign entity with expertise in Islamic banking.

However, in a response to Islamic Finance *news*, Maybank said it is not specifically considering an acquisition of Al-Amanah, but remains open to expanding its business in the Philippines.

Banks in Hajj deal

BANGLADESH: Prime Bank, which offers Hasanah Islamic Banking services, and Al-Arafah Islami Bank have signed MoUs with the Hajj Agencies Association of Bangladesh (HAAB).

Al-Arafah's agreement will see HAAB utilize the bank's online banking facilities, while Prime Bank's agreement will see agencies under HAAB use the bank's online banking services for Hajj-related transactions.

Low yields spur Sukuk sales

INDONESIA: The pipeline of local corporate Sukuk issuance this year has been driven by falling debt costs, as the average yield on the country's corporate dollar-denominated debt has declined 34 basis points to 4.87% since the 17th January this year.

The country's capital market supervisory, BAPEPAM, estimates that corporate Sukuk sales will hit IDR8 trillion (US$870.4 million) this year, from IDR5.4 trillion (US$587.52 million) at the end of March.

Among the expected issuances are an IDR800 billion (US$87.2 million) offering from Bank Muamalat Indonesia scheduled for June this year and an IDR250 billion (US$27.2 million) Sukuk from confectionary maker, Mayora Group, in May.

Indonesian toll road Sukuk

INDONESIA: Local toll operator Citra Marga Nusaphala Persada is planning to issue a five-year, IDR500 billion (US$55 million) Sukuk as part of an IDR1.2 trillion (US$131 million) corporate bond issuance in the first half of 2012.

Proceeds from the issuance will be used to fund toll road acquisitions in Jakarta and its outskirts.

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Big things in store as RHB Capital wraps up M&As

MALAYSIA: RHB Capital (RHBCap), which expects to complete its proposed merger with OSK Investment Bank (OSK) and acquisition of Indonesia's Bank Mestika Dharma (Bank Mestika) by the end of the third quarter of this year, could attract foreign suitors as its enlarged size increases its Islamic banking proposition.

In addition to becoming Malaysia's largest stockbroker, the RHB banking group will also grow to be the country's fourth-largest bank by assets, post-OSK merger.

"What RHBCap could really offer is a foothold; a platform to offer Islamic finance products by capitalizing on Malaysia's leading position in this area," Cheah King Yoong, an analyst at Alliance Research, is quoted as saying. He noted that the merged entity will also provide RHBCap with a size and scalability premium which could put it on the radar for investors looking to enter Malaysia's banking industry.

Gerald Ambrose, the managing director of Aberdeen Asset Management, also noted that RHBCap is a takeover target; with its OSK merger set to boost its attractiveness to potential buyers due to its national coverage and good exposure to retail and investment banking. "There are foreigners who want exposure here [Malaysia]; and if you're a foreign Islamic bank, you'd be better buying a local brand," he said.

RHBCap has also led bookrunning of Sukuk deals in Malaysia this year; coming out tops with seven transactions worth US$663 million as at the beginning of April, leaving the usual giants, Maybank Investment Bank and CIMB Group, trailing at second and fifth place respectively, according to Dealogic data. Top that off with a possible presence in Indonesia via Bank Mestika and RHBCap may not just be the bank to watch for the growth of its business, but also as a fruitful strategic investment for foreign acquirers.

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Ciptadana Securities, Equator Securities, Indo Premier Securities and Sucorinvest Central Gani have been appointed underwriters for the transaction.

Rapid growth in Brunei

BRUNEI: The local Islamic banking sector's market share is expected to grow between 55-60% from its current 40% within the next five years, according to Javed Ahmad, the managing director of Bank Islam Brunei Darussalam.

"Brunei has a big potential to be an Islamic financial hub due to its strong economic and political stability, good infrastructure and support of the government," he said.

Maybank IB steps up Saudi presence

MALAYSIA: Maybank Investment Bank (Maybank IB) has entered into an agreement to acquire a further 17.17% interest in Jeddah-based Islamic investment bank Anfaal Capital, as it seeks to increase its presence in Saudi Arabia.

The bank will pay SAR10.52 million (US$2.8 million) to Al Numu Real Estate Company for the stake, which will see its interest in Anfaal rise to 35.17%.

Microlink sees Indonesian job

MALAYSIA: Microlink Solutions, a local bank IT solution provider, is in advanced discussions with an Indonesian bank to provide services for its Shariah compliant business, said Peter Yong Kar Seng, its executive director and CEO.

The company expects to reach an agreement by the end of this year and is also in preliminary talks with five other banks in Indonesia to provide its services.

BSB eyes deposit growth

INDONESIA: Bank Syariah Bukopin (BSB) is targeting a 30-45% growth of third party funds this year.

The growth will be achieved via savings, cash management and online products.

JCorp gets government backing

MALAYSIA: State-owned investment firm Johor Corporation (JCorp) has received a government guarantee to back its planned RM3 billion (US$976.26 million) Sukuk Wakalah issuance to refinance RM3.2 billion (US$1.04 billion) in debt due on the 31st July this year.

The guarantee, which was approved by the cabinet, is seen as unprecedented as the federal government typically provides backing for fresh loans; instead of supporting refinancing plans.

Market analysts voiced concern that the move could create a negative precedent; encouraging other financially stressed state agencies to propose similar debt restructuring arrangements.

The proposed issuance will be backed by crude palm oil as well as Shariah compliant shares and could have tenors of five, seven and 10 years.

AFB back in the black

MALAYSIA: Asian Finance Bank (AFB), which has not reported its financial results for the financial year ended the 31st December 2011, made a small profit during the year as a result of its new corporate banking focus, according to Mohamed Azahari Kamil, its CEO.

He said the division contributed to 70% of its profits last year. The bank posted a loss of around RM30 million (US$9.77 million) in 2010.

Affin still keen on Bank Ina

MALAYSIA: Affin Holdings is still interested in acquiring at least 51% in Indonesia's Bank Ina Perdana and may consider offering a new price for the purchase, said Mohd Zahidi Zainuddin, its chairman.

He said that the banking group continues to await clarity from Indonesian regulators on foreign ownership in local banks, adding that if the central bank allowed a 51% foreign majority stake, it will re-consider offering a new price for the acquisition.

However, he said that Affin would not be interested in acquiring less than 50% of Bank Ina.

Affin announced two years ago plans to acquire an 80% stake in Bank Ina, which it intends to convert into a fully-fledged Islamic bank, for RM138 million (US$55 million). The plan was later put

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Strong start for Saudi banks

SAUDI ARABIA: The kingdom's banks have reported strong results in the first quarter of this year, spurred by government spending plans and increased confidence from investors in the local stock market.

Al Rajhi Bank reported a 18.3% year-on-year increase in first quarter profits to SAR2.01 billion (US$559.9 million), while Banque Saudi Fransi recorded a growth of 10% in profits to SAR789 million (US$210.36 million).

Saudi British Bank reported quarterly earnings of SAR854 million (US$227.7 million), a 13.7% increase over the previous corresponding period; and Saudi Hollandi Bank's quarterly profit grew by 21.9% to SAR290 million (US$77.32 million).

Meanwhile, Bank AlJazira reported a net profit of SAR143 million (US$38.13 million) for the first quarter of 2012, against SAR62 million (US$16.53 million) in the same period last year.

The bank's total assets as at the 31st March 2012 amounted to SAR43.26 million (US$11.53 million); as total loans and advances rose 26% year-on-year to SAR25.07 million (US$7 million).

Arab National Bank has also reported its first quarter financial results, booking a net profit of US$175 million against a profit of US$157 million in the previous corresponding period; as total operating income rose 7.3% to US$319 million.

Total assets amounted to US$33.4 billion; while its financing portfolio reached US$20.2 billion.

Riyad Bank has reported a 21.6% year-on-year growth in net profit to SAR901 million (US$240.17 million) for the first quarter ended the 31st March 2012.

Its total operating income reached SAR1.67 million (US$ 445,428), an increase of 9.4% from the same quarter in 2011, while loans and advances amounted to SAR113.7 million (US$30.31 million).

Bank Albilad has also posted a net income of SAR511.5 million (US$136.24 million) for the first quarter ended the 31st March 2012, an increase of 821.6% from the same period in 2010.

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on the backburner after the Indonesian central bank announced plans to limit foreign shareholdings in the country's commercial banks to 50%.

Affin still pins hopes on China

CHINA: Affin Holdings, which owns Affin Islamic Bank, is still awaiting clear indications from the Chinese regulators on allowing Islamic banking and services in the country, said Mohd Zahidi Zainuddin, its chairman.

Nevertheless, he said, Affin, through its Hong Kong-based shareholder Bank of East Asia, is looking to discuss with the regulators on allowing the bank to offer its Islamic banking products and services in the country.

Al Amanah seeks partners

PHILIPPINES: Al Amanah Islamic Investment Bank of the Philippines is currently seeking a partnership with Malaysia-based Hajj pilgrimage fund manager, Lembaga Tabung Haji, or the Zakat Foundation of America in a bid to strengthen its position.

The bank is facing several challenges in its business transactions in its home country due to the lack of a legal and regulatory framework, the limited availability of Shariah compliant practitioners and the skewed perception of potential customers on Islamic banking.

EUROPE

Bank Asya to double gold deposits

TURKEY: Bank Asya expects to double its gold deposit accounts by the end of this financial year, according to Abdullah Celik, its CEO.

The bank currently has one ton of gold stored in the accounts and plans to pay a profit-share to attract more customers.

GLOBAL

IDB urges Northern Cyprus investments

GLOBAL: Dr Ahmad Mohamed Ali, the president of the IDB group, has called for more Islamic investments into the Turkish Republic of Northern Cyprus. According to Ahmad, the republic is strategically located and can act as a bridge for investments in Europe and Africa; as well as presenting an opportunity for investors who want to expand their Islamic businesses.

Warba and StanChart in Asia deal

GLOBAL: Warba Bank has signed two agreements with Standard Chartered Bank to facilitate the Kuwaiti bank's Asian transactions.

Warba will now be part of StandChart's Asia Express Guaranteed Payments Program, which ensures same day delivery of funds in Asia, as well as its China Renminbi Clearing Services Program, which aims to provide its clients with access to the internationalization of the Chinese currency.

Guidelines not mandatory

GLOBAL: The IFSB, which has published its first guidelines; covering liquidity risk management and stress testing, has said that the adoption of the framework by national regulators is not mandatory.

However, the board said that it expects adoption of the guidelines to begin next year.

MIDDLE EAST

NBK to raise stake in Boubyan Bank

KUWAIT: The National Bank of Kuwait (NBK) has obtained the Central Bank of Kuwait's approval to increase its stake in Boubyan Bank to 60% from 47.29%.

According to NBK, the approval is valid for three months. The bank will also apply for the necessary approval from Kuwait's Capital Market Authority, it said.

Sakana signs deal with developer

BAHRAIN: Mortgage finance provider Sakana Holistic Housing Solutions has signed an MoU with The Developers WLL, the developers of Fontana Towers, an apartment project in Bahrain.

Under the agreement, Sakana will offer

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Pakistan invites Malaysia to explore Islamic banking opportunities

GLOBAL: Pakistan has called upon established Malaysian financial institutions to explore expansion opportunities within the country, particularly in Shariah compliant banking.

"Our prime minister [has] invited Malaysian banks to open branches in Pakistan. Maybank is already there, having bought a substantial stake in a Pakistani bank," said Masood Khalid, Pakistan's high commissioner to Malaysia, adding that it is hoped that other leading Malaysian banks such as CIMB Group, will explore the possibility.

Maybank's presence in Pakistan consists of a 20% stake in MCB Bank and a 25% interest in Pak-Kuwait Takaful Company.

Many Malaysian companies have already branched out into Pakistan and are involved in a number of infrastructure projects including the construction of roads, houses, golf courses, hospitals and airports. Despite the involvement in such projects, Masood noted that Malaysian companies need to pursue further initiatives.

He added that Dr Zeti Akhtar Aziz, the governor of the Malaysian central bank, is expected to further discuss the expansion of Malaysian financial institutions in Pakistan during an upcoming meeting with Yaseen Anwar, the governor of the State Bank of Pakistan, the central bank.

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home financing packages for up to 90% of the property value, with a financing term of up to 30 years.

Delay for Islamic banking

OMAN: The sultanate's first Islamic bank will be operational in the second half of this year, instead of in the first half as planned; as Islamic banking laws have yet to be completed, said Hamood Sangour Hashim Al Zadjali, the executive president of the Central Bank of Oman.

Oman's first Islamic banks, Al Izz International Bank and Bank Nizwa,were originally scheduled to open in June this year, as the sultanate's Islamic banking rules were also slated to be in place by June.

"One of them will be immediately operational in the second half of this year," said Hamood.

Riyad Capital to manage Sukuk

SAUDI ARABIA: Riyad Capital, the investment arm of Riyad Bank, has reportedly been mandated as the lead manager for a privately placed Sukuk closing this month.

It has also been appointed lead manager for several IPOs, including from City Cement Company and the National Medical Care Company; expected to be launched by the end of this year.

Dubai Duty Free appoints ADIB

UAE: Abu Dhabi Islamic Bank (ADIB) has joined as mandated lead arranger and bookrunner to help arrange Dubai Duty Free's (DDF) US$1.1 billion multi-tranche Islamic and conventional financing.

DDF initially hired Abu Dhabi Commercial Bank, Citigroup, Dubai Islamic Bank, Emirates NBD Capital and HSBC Bank Middle East to arrange the transaction.

Nakheel going for third Sukuk

UAE: Nakheel will likely issue the third tranche of its Sukuk to trade creditors in June this year, said Ali Rashid Lootah, its chairman.

The issuance will follow the sale of its second tranche, slated for the end of this month, worth AED240 million (US$65 million). The issuance amount of the second tranche is less than a quarter of the initially expected value, after the developer persuaded trade creditors to

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Planned Sukuk sales signal recovery of Dubai's property firms

UAE: Planned debt sales by Dubai's property companies Tamweel and Nakheel appear to signal that the firms' recoveries are on track; with investor confidence in the once-embattled companies trickling back.

Islamic mortgage provider Tamweel, formerly at the center of Dubai's property crisis, has announced that it is considering issuing debt again this year; following a US$300 million Sukuk issuance in January. The yield on the 5.15%, five-year Sukuk has fallen to 5.09% as at the 16th April. It also has another US$300 million and AED1.1 billion (US$299.43 million) Sukuk due in January and July next year, respectively.

Varun Sood, Tamweel's acting CEO, is quoted as saying that the company may return to the debt market this year for a Sukuk or a securitization; in a transaction that would be similar to its issuance in January this year. He also said that Tamweel, which has AED3.3 billion (US$898.27 million)-worth of debt outstanding, is preparing to meet all its commitments, although it has yet to decide on refinancing or repaying its Sukuk due in January next year.

In line with the company's more stable outlook, after it froze new business between October 2008 and November 2010, Fitch Ratings upgraded its long-term issuer default rating to 'BBB+' from 'BBB-' with a stable outlook on the 3rd April. The rating is based on the support of Tamweel's majority shareholder, Dubai Islamic Bank; while Fitch also believes Tamweel's current earnings trends are broadly stable.

Meanwhile, Ali Rashid Lootah, the chairman of Nakheel, has said that the firm will likely issue a third tranche of its AED4.8 billion (US$1.31 billion) Sukuk to repay its creditors in June this year. It issued its first, AED3.8 billion (US$1.03 billion) Sukuk in August last year, with the second tranche scheduled for the end of this month.

Nakheel, also earlier crippled amid the Dubai crisis, has reported a return to profit growth, booking AED1.3 billion (US$353.87 million) in 2011 profit against AED1 billion (US$272.2 million) in 2010.

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accept a discount on their original claims; amounting to AED5.3 billion (US$1.44 billion).

Ali said that the second tranche will carry the same terms as its first tranche; a five-year, AED3.8 billion (US$1.04 billion) Sukuk issued in August last year.

Impending Sukuk listings in Qatar

QATAR: Local currency-denominated sovereign Sukuk and conventional bonds may be listed on the country's stock exchange this year as it seeks to deepen its debt market.

Andrew Went, CEO of the Qatar Exchange, said that the bourse is now in talks with the government on the next steps for the listings; after it started selling treasury bills in May last year.

GFH to reschedule repayments?

BAHRAIN: Gulf Finance House (GFH) is in talks with Sukukholders to reschedule repayments of up to US$137 million for its US$200 million Islamic bond maturing in July this year, according to Hisham Al Rayes, its chief investment officer.

The investment bank expects to finalize negotiations for the Sukuk, of which US$137.7 million is outstanding, in May, he said.

QIB posts first quarter profit

QATAR: Qatar Islamic Bank (QIB) has reported a net profit of QAR388 million (US$107 million) in the first quarter of 2012, representing a year-on-year growth of 20.9%.

Operating income reached QAR777 million (US$213 million) compared to QAR648 million (US$178 million) last year, while total assets rose 18.4% to QAR59 billion (US$16 billion).

Dubai needs more refinancing options

UAE: Dubai may have to sell more of its assets to help fund the repayment of up to US$80 billion in debt expected to mature in the next five years, according to market analysts.

According to economists at Bank of America Merrill Lynch and National Commercial Bank of Saudi Arabia, Dubai may also need to step up bond sales to refinance its debt after the UAE central bank enforced rules to curtail local banks' financing exposure to government-related enterprises.

JDIB hires SunGard

JORDAN: Jordan Dubai Islamic Bank (JDIB) has selected SunGard's Ambit credit risk management solution to assess and monitor credit for risk-based decision-making, pricing and to improve its capital and credit risk management.

The software will also help JDIB deploy uniform risk rating models, especially for its corporate and small and medium-sized enterprise businesses.

Cheaper Sukuk for Emirates?

UAE: Emirates Airline, which could issue a Sukuk to refinance its US$550 million Sukuk due in June this year, may pay less than other Gulf corporate issuers to sell debt after global borrowing costs declined and as the carrier benefits from a 19% passenger growth.

Analysts said that the airline may pay 339 basis points over similar maturity midswap rates, or about 4.55%. The average yield on eight corporate Gulf Sukuk included in the HSBC/Nasdaq Dubai GCC Corporate US Dollar Sukuk Index is 4.62%.

April launch for Bank Nizwa IPO

OMAN: Bank Nizwa will open subscriptions for its OMR600 million (US$1.54 billion) IPO on the 23rd April 2012.

The bank will be offering 600 million shares with a par value of 102 Omani baisa (US$2.64) each, which also include two Omani baisa (5.2 US cents) to meet issue expenses.

Low yields for Nakheel Sukuk

UAE: Nakheel has seen yields on its five-year, US$1.04 billion Sukuk decline to 14% from more than 21% in August last year; as investors regain confidence in Dubai's economy.

Biswajit Dasgupta, the head of treasury and trading at Invest AD, said that the positive sentiment is being driven by perceptions that the UAE is on track with managing restructuring of

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RATINGS

Sturdy footing

MALAYSIA: MARC has affirmed its ratings on Gas Malaysia's RM500 million (US$163 million) Murabahah medium-term notes program at 'AAAID' with a stable outlook.

QIB on solid ground

QATAR: S&P has assigned its 'A-/A-2' long- and short-term counterparty credit ratings to Qatar Islamic Bank (QIB).

Still standing strong

MALAYSIA: RAM has reaffirmed the 'AAA' rating of Cagamas MBS' RM2.11 billion (US$687 million) Islamic residential mortgage-backed securities with a stable outlook.

Getting weaker

MALAYSIA: RAM has revised its outlook on the long-term rating of Naim Holdings' RM500 million (US$163 million) Islamic medium-term notes (IMTN) program from stable to negative.

However, the respective long- and short-term ratings of 'AA3' and 'P1' for the IMTN and RM100 million (US$33 million) Islamic commercial papers program (2010/2017) remain unchanged.

Good grades

KUWAIT: CI has affirmed Commercial Bank of Kuwait's long- and short-term foreign currency ratings at 'bbb+' and 'a2', respectively. It has also affirmed the bank's financial strength rating at 'bbb'.

The outlook for all ratings reverts to stable from negative due to a significant improvement in the bank's asset quality and liquidity.

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government-related debt and indications of the growth of the emirate's real estate, tourism and hospitality sectors.

AJIL sells Sukuk

SAUDI ARABIA: AJIL Financial Services Company, a local financial leasing firm, has issued its maiden Sukuk amounting to SAR500 million (US$133 million); in an off-balance sheet transaction via its Cayman Islands-based special purpose vehicle, AJIL Cayman.

The Sukuk was priced at 80 basis points over three-month Sibor.

GIB Capital and Riyad Capital were the joint lead managers and joint bookrunners for the issuance; while Riyad Capital also served as the coordinator for the transaction.

QIIB's profits climb

QATAR: Qatar International Islamic Bank (QIIB) has reported a net profit of QAR175.5 million (US$48 million) in the first quarter of 2012; representing a year-on-year growth of 10.4%.

Operating income rose 13.5% to QAR309.6 million (US$85 million), while assets amounted to QAR23.3 billion (US$6.4 billion).

New trading platform for KSE

KUWAIT: The Kuwait Stock Exchange (KSE) will launch its 'X-stream' trading system on the 13th May 2012 to facilitate the trade of financial instruments such as international futures, options, exchange traded funds, fixed income and Sukuk.

The system, which is supported by exchange company Nasdaq OMX Group, could see trading of the instruments begin next year.

Dubai Group to restart debt talks?

UAE: Dubai Group has reportedly suggested to creditors that it wants to pay a 1% profit rate for an extension of its US$10 billion debt.

Under the plan, creditors will be offered new terms based on the level of security they currently hold to back the obligations.

The projected maturities range from three-and-a-half years for creditors of a US$330 million Shariah compliant syndicated financing backed by a stake owned by the Dubai Group in Bank Islam Malaysia; and up to 12 years for unsecured creditors.

The proposed rates on the debt is said to start at 1% for unsecured creditors, increasing incrementally for those with assets backing their claim.

Bank Aljazira funds property project

SAUDI ARABIA: Bank Aljazira has entered into a financing agreement with local real estate developer, Mizat Development Company.

The financing will be used to fund Mizat's Darat Al-Hada residential property project in Riyadh, projected to cost more than SAR250 million (US$67 million).

Tamweel Sukuk profit payment

UAE: Tamweel Sukuk has announced a periodic distribution of AED10.52 million (US$2.86 million) for its AED1.1 billion (US$300 million) trust certificates due in 2013.

The distribution is based on a three-

Coming up...

Volume 9 Issue 16 – 25th April 2012

Meet the Head
Takuya Furuya, senior managing director, chairman/Middle East and Africa, Nomura Holdings

Features
Development in the Egyptian leasing/ Ijarah market; By Dr Shahinaz Hanem Rashad Abdellatif, founder and CEO of Egyptian Leasing Association.

The global Islamic debt market: Has it reached a plateau? By Aderi Adnan, Islamic finance and banking advisor at Labuan IBFC.

Ujrah-based credit card: Innovation in Islamic consumer banking products; By Jumadi Kadir, Shariah research & training at RHB Islamic Bank.

Takaful Feature
Role of Takaful in the Islamic economic system; By Abu Bakr Abdel Rahman, Islamic financial analyst with an Egyptian Islamic financial institution.

MOVES

SHUAA CAPITAL

UAE: SHUAA Capital has named **Colin Macdonald** its new CEO, replacing Michael Philipp, who held that position five months earlier.

Macdonald was formerly the head of Middle East for ABN AMRO Bank. He will be SHUAA's fourth CEO in three years.

AMMB HOLDINGS

MALAYSIA: AMMB Holdings has appointed two senior officials to its management team.

They are **Cheah Tek Kuang** as advisor to the chairman's office and **Mohamed Azmi Mahmood** as the deputy group managing director to the group's subsidiary, AmBank Group.

DUBAI INTERNATIONAL FINANCIAL CENTER AUTHORITY

UAE: The Dubai International Financial Center Authority (DIFC Authority) has appointed **Abdul Aziz Al Ghurair** as its chairman.

Abdul Aziz was previously the deputy chairman of the DIFC.

CURTIS MALLET-PREVOST, COLT & MOSLE

US: Legal firm Curtis Mallet-Prevost, Colt & Mosle has appointed **Michael McMillen** as a partner at its international finance practice based in New York.

McMillen's practice focuses on Islamic and project finance.

He was previously the global head of Islamic finance at law firm Fulbright & Jaworski.

Qatar banking industry in the spotlight

As the domestic banking industry endures the shakeup from the segregation of Islamic and conventional banking businesses and the impending setup of an Islamic megabank in the country, analysts remain largely positive on the outlook for the local financial market.

"Our outlook for Qatar's banking system is stable. The outlook reflects (i) Qatar's strong macro environment and high public spending levels that will continue to fuel bank lending growth; (ii) the banks' solid capitalization levels; (iii) their stable funding base and good liquidity buffers; and (iv) strong earnings," said Moody's in a report on the 12th April.

The ratings agency also noted that the Qatar Central Bank's directive, barring conventional banks from offering Islamic banking services, will enable the country's four Islamic institutions — Barwa Bank, Masraf Al Rayan, Qatar Islamic Bank (QIB) and Qatar International Islamic Bank, which managed around 22% of the local financing market in December 2011 — to expand their market share and boost revenue growth over the medium-term.

Meanwhile, it expects the overall profitability of the domestic banking system to remain at comfortable levels; supported by higher lending, low provisioning requirements and banks' low cost bases.

QIB has been among the first to report results for the first quarter of 2012, with a strong showing that could point to similar growth by its Islamic banking counterparts. During the period, it posted a net profit of QAR388 million (US$106.56 million), 20.9% higher than a year earlier; with especially strong growth in fee income; which almost doubled to QAR99.6 million (US$27.35 million).

Standard & Poor's Ratings Services assigned its 'A-' long-term and 'A-2' short-term counterparty credit ratings to QIB, with a stable outlook on the long-term rating.

"The stable outlook reflects our expectation that QIB will remain an important player in Qatar, with no significant change in its business and financial profiles over the next 12-24 months. We nevertheless anticipate that QIB's capital and earnings will remain strong, as we project that QIB's risk-adjusted capital ratio before adjustments will remain between 13.5-14% in the next 18-24 months," it said. — *EB*

Ringgit Sukuk riding high

Sukuk is riding high these days. Last year alone saw total issuances surpass 2007 levels, reaching an estimated US$85 billion according to reports. Dealogic states that over the last 12 months, global Sukuk issuance reached an unprecedented US$36.4 billion with over 60% of the Sukuk denominated in Malaysian ringgit.

Prior to the global financial crisis, the US dollar was the currency of choice for Sukuk issuances outside of Malaysia. However, as the global markets tumbled in 2008, so did the confidence of investors in that currency. According to a report, in the first half of 2008 the Sukuk market was dominated by the Malaysian ringgit and the UAE dirham, making up almost 70% of total issuances.

While Malaysia continues to take the lead in Sukuk, some quarters are of the view that US dollar issuances should make a comeback to further attract global investors, particularly from the conventional space to the Islamic finance industry. Currently, it is understood that only foreign investors that have businesses or investments in Malaysia buy into ringgit-denominated Sukuk.

However, Mohamad Safri Shahul Hamid, the deputy CEO of CIMB Islamic, feels that such a proposition is not entirely correct as the same objective can also be achieved through ringgit-denominated issuance. We have seen quite a number of ringgit Sukuk transactions marketed to (conventional) foreign investors in Hong Kong and Singapore, for example, says Safri. In addition, Malaysia has one of the deepest bond/Sukuk markets in Asia with ample ringgit liquidity from a wide range of investors.

Safri explains that as a result, if a Malaysian issuer requires ringgit, it would be more cost efficient to do a ringgit issuance, instead of doing a US dollar issuance and incurring unnecessary costs including the swap cost to convert those proceeds back to ringgit.

"The ringgit Sukuk market is able to take very large ticket issuances and multi-billion Sukuk issuances are common phenomena in Malaysia these days. If the credits are good, investors will flock after those papers — it is as simple as that. There are no compelling reasons for Malaysian corporates to tap the US dollar market unless there is a strategic requirement for using US dollar."

This is evident from the 2011 Projek Lebuhraya Usahasama (PLUS)'s US$9.86 billion Sukuk, the world's largest to date and the largest single issuance from Malaysia, where the issuance was taken up by the transaction's lead managers and pension funds.

Safri is confident that issuers and investors alike will be drawn to Malaysia as it is now Asia's third most active bond market after Japan and Korea. "More than a third of Malaysian government securities are foreign-owned." The currency play would also appeal to some of the investors.

Aside from Malaysia's vibrant Sukuk market, he believes that foreign entities will be able to diversify their investor pool if they were to issue a Sukuk in ringgit subject to credit and investors' familiarity.

He cites the National Bank of Abu Dhabi (NBAD) as one such beneficiary. The bank successfully completed its maiden Sukuk issuance of RM500 million (US$155.9 million at that time) in 2010 which was oversubscribed nearly four times. During the launch Mahmood Al Aradi, the senior general manager of NBAD's financial markets division, stated

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that the issuance did help introduce NBAD to a new group of investors.

Malaysia is conducive for Sukuk issuances as its infrastructure, legal and regulatory guidelines are in place making the transactions very transparent, reveals Safri. It has the world's first and still the most complete guidelines on issuance of Islamic securities which detail all the requirements and criteria for issuance of Sukuk on Malaysia, one of which is a rating criterion. Every Sukuk issuance is required to be rated by either one of the approved rating agencies namely RAM Rating Services or Malaysian Rating Corporation. "Investors are therefore comfortable with the transparency, the strength of ringgit as well as the liquidity of the market. On average, the Malaysia's secondary private debt securities (PDS) market sees between RM300 million (US$97.62 million) – RM400 million (US$130.16 million) — traded daily." In the first quarter of this year, it was reported that Malaysian PDS recorded RM38.97 billion (US$12.71 billion).

Ringgit issuances will likely continue to dominate the Sukuk space for now due to the flush liquidity position and efficient pricing. According to Safri, a US dollar issuance is currently more suited to government or quasi-government entities with satisfactory-to-strong international ratings. At the end of the day, he adds, most issuers will only consider tapping the fixed income markets if the price is right and at the moment, the ringgit market remains as the most attractive market for many. — *RW*

Boosting Islamic trade financing

This year, it is projected that total trade finance amongst the 57 OIC member countries will reach US$4 trillion, with Shariah compliant financing expected to make up 20% of the total share. In 2011, the Islamic Trade Finance Corporation (ITFC), a subsidiary of the Islamic Development Bank (IDB), funded US$3.03 billion in deals — a 19% increase from US$2.55 billion in 2010 — and has already pledged US$855 million to the Bangladesh Petroleum Corporation as part of a US$2 billion financing facility early this year.

However, industry players believe that there is still much room for improvement within the Islamic trade financing realm, as the market remains "fragmented and non-competitive". The utilization of Shariah compliant hedging products to protect trade transactions is expected to boost the market share for Islamic trade financing, and encourage lenders to move over from the conventional market, which is worth at an estimated US$7.2 trillion.

"If you don't have access to Islamic hedging, there will be a currency conversion impact. In the absence of those solutions, people go for conventional. But the proposition is now complete and you can now use Islamic hedges for trade transactions," said Yakub Bobat, the global head of HSBC Amanah Commercial Banking. The fee-based nature of trade financing in general has resulted in lower demand for Islamic-based facilities as clients are more inclined to choose cost over structure. Efforts also need to be ramped up on the promotional and marketing side for Islamic trade finance products, experts say, and there needs to be a paradigm shift from asset-based financing to trade financing. "The industry today is pretty much focused on asset finance and it needs to have the ability to capitalize on trade. Islamic trade finance should be as much a bread and butter business as it is for conventional trade flows. There is a very compelling reason to promote this product given that the returns of trade financing can be very attractive: much more than real estate financing, for example. Providers of this product have not been as aggressive in promoting it," an industry player revealed. — *NH*

Shariah Finance in India: The need for a clear road ahead

INDIA

By Keyur Shah, IFN Correspondent

Shariah finance in India stumbled upon a roadblock recently when the government of India ruled out the possibility of introducing interest-free Islamic banking in the country, claiming that the system was not feasible within the current regulatory environment. This comes in the wake of the reference made by the Reserve Bank of India (RBI) to the government that Islamic banking is not legally feasible for banks in India or for Indian banks with branches abroad.

> ***"Islamic banking is not legally feasible for banks in India"***

This only re-emphasizes the point that the growth trajectory of Shariah finance in India has been far from smooth. The synchronization of the ideologies of Shariah finance with the Indian legal and regulatory framework has been a challenge.

Some of the considerations that may have gone into such a decisive decision being made by the RBI are stated hereunder:

- The Banking Regulation Act of 1949, which governs banking companies in India, lays down the various business activities a banking company may engage in. However, the list of activities that can be undertaken by a bank is not wide enough to cover the activities of active trading, purchase and resale of investment. Therefore Shariah finance instruments like Murabahah and Ijarah which work on the basic principle of buying, selling or bartering of goods cannot be put in practice by banks in India.

- Investment restrictions imposed on equity participation by banks in India also hamper the feasibility of Islamic banking in India, given that participation in the form of a joint venture is one of the major forms of financing under the Shariah law.

- The RBI's guidelines make it mandatory for banks in India to undertake certain activities which lead to the generation of interest income and interest expense for banks. However, Shariah law prevents payment and receipt of interest and hence a bank receiving or paying interest will go against the principles of Shariah law.

Given the above constraints within the current Indian regulatory environment, this reference made by the RBI is not without reason. However, given the potential that India offers for this kind of banking and the huge need for inclusive growth in the financial services sector, the proponents of Shariah finance will continue to urge the need for a change in the current environment to accommodate Shariah finance, if not in whole, in parts, within the existing banking and non-banking system.

Keyur Shah is a partner at BSR & Co and he can be contacted at keyur@kpmg.com.

Financial Services Agency urges Japanese Sukuk issuance for tax exemptions

JAPAN

By Serdar Basara, IFN Correspondent

April is the start of the new fiscal year in Japan. Hence naturally, new practices are being launched, one of which in 2012 is the 'Japanese Sukuk'.

On the 10th April 2012, the Financial Services Agency (FSA) published a concise 'Q&A Report for Taxation Issues Regarding Japanese Sukuk', which gives brief answers to some of the major concerns for both issuers and investors.

The questions are:

1) What is a Sukuk?

2) What is a Japanese Sukuk?
(Answers to question 1 and 2 are skipped considering Islamic Finance *news* readers' knowledge)

3) How are dividends taxed?
Answer: Foreign investors and non-residents: exempted; domestic financial institutions: withholding tax exempted, corporate tax applied; individual residents: 20% withholding tax applied.

4) How are real estate transfers and transactions taxed, when structuring Sukuk?
Answer: Real estate registration taxes are exempted when transferring assets (and buying back) to (from) specific purpose trust.

5) What is a 'Samurai Sukuk'?
Answer: A Japanese Sukuk which a foreign government or corporate originator issues in Japan.

6) What is the term of applicability for Japanese Sukuk (to benefit from taxation exemptions)?
Answer: Issuance deadline for dividend tax exemption: the 31st March 2013; real estate registration tax deadline: the 31st March 2014.

> ***"Japanese Sukuk will play an important role in the future of Islamic finance in Japan"***

It also has been stated that these deadlines can be extended or exemptions can become permanent according to the Japanese Sukuk issuance track record. Islamic investors' and originators' interest in Japanese Sukuk will play an important role in the future of Islamic finance in Japan.

Serdar Basara is the president of Japan Islamic finance. He can be contacted at basara@japanislamicfinance.com.

An Islamic megabank: Should it be a priority?

MALAYSIA

By Nik Norishky Thani, IFN Correspondent

Considering the various global events in recent years, is an Islamic megabank still a priority today? The idea of an Islamic megabank has been around for several years. It even precedes the 2008 global financial crisis — although the latter is perhaps one of the main reasons why we have not actually seen the megabank's launch. There are sporadic reports that surface now and then linking, or more accurately, speculating where and when the megabank will be launched, if at all. A recent report however appears to indicate that the wait is almost over: with the IDB, the Qatar government and the Dallah Albaraka Banking Group anchoring the initiative.

The names involved in the project are not unexpected and are generally in line with the industry's expectations but considering previous reports that indicated Malaysia would be hosting the megabank, it is rather surprising that the latest report makes no mention of any Malaysian involvement. It is however still early days as far as the establishment of the megabank is concerned and I would not rule out Malaysia's participation at this stage as it would be unthinkable for such an institution not to have a presence in one of the most active Islamic finance markets.

If we look in terms of size, there are already 'megabanks' in the industry. In 2010 for example, the total asset size of Saudi's Al Rajhi was SAR184 billion (US$49 billion) while Kuwait Finance House had KWD12.5 billion (US$45 billion) of assets. Islamic banks with more than US$1 billion in capital include the likes of Dubai Islamic Bank, Abu Dhabi Islamic Bank and Qatar Islamic Bank to name a few. If we look at industry depth, then there are Islamic subsidiaries such as HSBC Amanah and Standard Chartered Saadiq. Malaysian Islamic banks, on the other hand, which do not have capital approaching US$1 billion, continue to be prominent market players particularly in the Sukuk space. Then there are the Iranian banks which understandably have a relatively low market profile.

But this is nowhere compared to the size and depth of the top conventional banks. Even post financial crisis, BNP Paribas for example had total assets of US$2.96 trillion in 2010 (US$2.68 trillion in 2011) whereas China's Bank of Communication, ranked 50th in the world in 2010, has total assets of US$485 billion – many multiples larger than the largest banks in Islamic finance industry. We can argue the relatively new existence of Islamic finance to explain the disparity but that misses the point — there is a real need for Islamic financial institutions to be of sufficient size in order to compete with the likes of BNP, HSBC, Citibank and the up-and-coming Chinese banks such as ICBC and China Construction Bank.

A major advantage of such banks over Islamic banks is their ability to seize opportunities in places where there is economic growth — and size is one of the key factors in being able to do this. A working paper by the IMF, 'Islamic Banking: How has it Diffused?', shows that an increase in income per capita, the share of Muslims in the population and status as a net oil producer are among key factors that led to the global development of Islamic banking between 1992-2006. With the anticipated growth for the Asian region and the growing economic importance of the Middle East and North Africa, lack of size will be a major deterrent for Islamic financial institutions to take full advantage of economic developments in their own backyard.

An Islamic megabank: Do we need one?

Whilst it is clear that there is a need for size, it still begs the question — will a US$1 billion-capitalized Islamic megabank be the solution?

Big capital does not guarantee performance. Though still early days, we have yet to be given a clear idea of the business plan for the Islamic megabank. Instead of focusing only on the anticipated role for the megabank in Islamic finance - for example, taking up big ticket deals or the oft-quoted 'providing liquidity to the industry', a more pertinent question should be: what is the commercial aspiration of the megabank? Will it be looking at the retail banking sector or the wholesale banking sector or even both? In today's challenging environment, the Islamic megabank will have to get it right from the word go. Post crisis we saw 'too big to fail' banks in the conventional space falling victim to the moral hazard of bail-outs (often preached but hardly ever practiced). Nonetheless it is a risk we have to be cautious of. Even though major banks in Islamic finance are still relatively small compared to the banking giants of conventional banking, in a US$1 trillion industry the Islamic big banks are the big fish and play a major role. But with this comes the potential for systemic risks.

Another fallout from the financial crisis is the growing wariness towards giant banks and a rethinking of their bearing on society. The UK for example, is moving towards separating retail banking and investment banking. Elsewhere the 'Occupy Wall Street' movement and events such as Bank Transfer Day are serious attempts at rejecting the ideology of banking.

Bank Transfer Day for example is an American consumer activism initiative to take money out of commercial banks and to place it instead with non-profit making credit unions. It may seem merely symbolic at this juncture, as conventional megabanks continue to dominate economies around the world.

However let us not forget lessons from the past where economic protest changed the course of history — such as the Boston Tea Party, which started out as an ideological rejection over tax that eventually culminated with the American Revolution.

Conclusion

But the facts seem to suggest that the world is moving away or at the very least is showing a strong desire to move away from the concept of megabanks in order to empower the people in their financial transactions by favoring a mutuality approach that is more community-oriented. Whether it is right or wrong, the Islamic finance industry on the other hand appears to be heading in the opposite direction.

The views and opinions expressed in this article are those of the author and do not necessarily reflect the official policy or position of Permodalan Nasional Berhad.

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Daud speaks

By Daud Vicary Abdullah

Over the past couple of months I have used this column to put forward some views and reflections on collaboration. This month I would like to extend that theme to take a look at how collaboration can start to change the playing field.

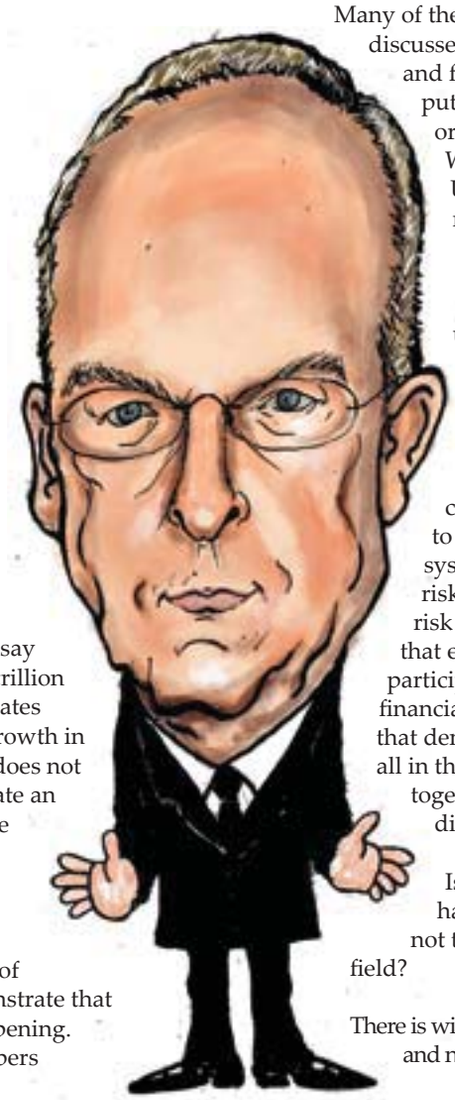
I have listened to many presentations by learned scholars, academics and practitioners, in recent months, on the need for change. Indeed, I have made some of those presentations myself. Usually, I have focused on the need for education to change perceptions about Islam and Islamic finance and have discussed a variety of areas where this can be achieved, which have included financial literacy, the development of young entrepreneurs and the need for the Islamic finance industry to develop talent.

Based on recent discussions at conferences and symposiums that I have attended, I now feel that the time has come to develop affirmative action plans to define the roadmap and to define the metrics that will be required to measure the effectiveness of Islamic finance in making these changes.

It is not enough to say that being a US$1 trillion industry demonstrates success, just as a growth in GDP of a country does not actually demonstrate an enhancement in the standard of living for its people.

What I believe is required is a set of metrics that demonstrate that real change is happening. For example, numbers of schools built, numbers of children educated, the volume of infrastructure developed to help in the eradication of poverty, capital stock available so that the extreme poor have a chance to remove themselves from the poverty trap.

> ***"Is it not time to look at an economic system that is based on risk sharing rather than risk shifting?"***



Many of these metrics have been discussed and documented and form part of plans put forward by such organizations as the World Bank and the United Nations. Is there not an opportunity for Islamic finance and the concepts that support Islamic finance to step up to the mark and make a real change? In a world fuelled by ever-increasing debt and the cyclical problems that this creates, is it not time to look at an economic system that is based on risk sharing rather than risk shifting? A system that encourages economic participation rather than financial speculation? A system that demonstrates that we are all in this together and that together we can make a difference?

Islamic finance does have the answers. Is it not time to shift the playing field?

There is without a doubt, much to do and not a moment to lose.

Maxis' US$798.5 million Sukuk Musharakah

Malaysian telecommunications provider Maxis issued a RM2.45 billion (US$798.5 million) Sukuk Musharakah on the 24th February 2012, under an unrated Islamic medium-term notes program (IMTN).

The papers mature in 10 years, but have a tenor of up to 30 years. Maxis' units, Maxis Broadband and Maxis Mobile Services, are guarantors of the program.

> *"The tax incentive helped the company book an increase in its net profit"*

Utilization of proceeds

RM1.45 billion (US$472.58 million) of the proceeds will be used to refinance Maxis' existing financing; with the remainder to be utilized for capital expenditure and/or working capital; and/or general funding requirements; and/or general corporate purposes.

Following the issuance, Maxis' consolidated gearing will rise to 0.75 times from 0.63 times.

Participating banks

CIMB was appointed the sole principal advisor and sole lead arranger for the IMTN program; while CIMB and Maybank Investment Bank were joint lead managers of the issuance. CIMB was also the facility agent.

Legal and Shariah advisors

Messrs Albar & Partners were legal counsel to CIMB; while Messrs Zul Rafique & partners advised Maxis. The Shariah advisors for the transaction were CIMB Islamic Bank, backed by its Shariah committee.

Tax incentive

Maxis disclosed to investors that it received approval from Malaysia's ministry of finance on the 30th November last year of a "last mile broadband tax incentive". The tax incentive resulted in a recognition of a tax credit amounting to RM320 million (US$104.31 million), which, in turn, helped the company book an increase in its net profit and a reduction in tax liability for the period ended the 30th September 2011. — *EB*

Maxis

RM2.45 billion (US$798.5 million)

24th February 2012

Issuer	Maxis
Obligor	Maxis
Issuance amount	RM2.45 billion (US$798.5 million)
Trustee	Pacific Trustees
Tenor	10 years
Coupon rate / return	5%
Payment	Semi-annual
Currency	Malaysian ringgit
Maturity date	24th February 2022
Governing law	Malaysian
Listing	Unlisted
Rating	Unrated
Structure / instrument	Musharakah
Tradability	Non-tradable

An outlook of the US asset management industry with a focus on Islamic investments

SAEID HAMEDANCHI provides an overview of the exchange traded funds sector and the Shariah funds industry in the US.

According to Investment Company Institute (ICI), the total US mutual funds (conventional) assets under management (AUM) were US$12.4 trillion at the end of February 2012. This represents an increase of US$328 billion in AUM since 12 months prior. The US mutual fund industry represents the largest mutual fund market in the world and signifies 47% of the global mutual fund industry.

The exchange traded funds (ETFs) sector

According to BlackRock, an ETF sponsor, the global exchange traded products (ETPs) industry had assets worth US$1.72 trillion under management at the end of February 2012. The US market is the largest market in the world for ETPs, accounting for 70.5% of the global market share. The largest category is North American Equities (US$634 billion in AUM) followed by emerging market equities (US$241 billion in AUM).

Emerging market equities have seen an impressive 24.5% growth in AUM in the past year. Investors' risk appetite for emerging market equity ETP continued in February, delivering the best two-month start ever with US$14.5 billion inflows. The emerging market index of MSCI delivered a return of 17.8% in the first two months of 2012.

According to ICI, the US ETF industry had assets of US$1.183 trillion comprising of 1,187 ETFs at the end of February 2012. Over the past 12 months, ETF assets have grown by US$147.44 billion or 14.2%. Assets in domestic equity ETFs grew by US$72 billion while international equity ETFs grew by US$17 billion in the past 12 months.

The US asset management industry has strongly embraced ETFs due to the following factors:

1. **Lower total expense ratio:** The ETF total expense ratios are targeted to be substantially lower than that of competing mutual fund products. Broad-based ETFs are charging less than 10 basis points (bps) in total expense ratios (TER). The TER for Shariah ETFs is also very competitive compared to other socially responsible ETFs. IShares and Deutsche Bank ETF offerings are generally charging between 50-60 bps for total expense ratio per year. One should also note ETFs do not have upfront or backend loads associated with them.

2. **Speedy execution**: The ETFs are purchased just like stocks. This can be done with a broker for an individual or by the trading desk of an asset manager at any time during trading hours. However, mutual fund investors can only invest/redeem at market close.

3. **Greater transparency**: The ETFs will reveal their holdings on a daily basis whereas mutual funds do it only twice per year on a significantly delayed basis. Investors clearly prefer real-time transparency in this environment.

4. **Greater tax efficiency**: The ETFs are more tax efficient than mutual funds because of their structure. Mutual fund investors get penalized during periods of heavy redemption where one pays for capital gains of others. In an ETF structure, the ETF investors pay capital gains tax only upon sale of their ETF shares.

5. **Lower trading costs for institutional investors**: With ETFs, institutional investors trade with authorized participants who create and redeem the underlying baskets. Institutions can trade creation and redemption baskets which typically hold between 25,000-100,000 shares, lowering their transaction costs even further.

6. **Trading close to the net asset value**: The ETFs, unlike closed-end funds, trade very close to the net asset value (NAV) of the fund, not at a discount or premium. With an ETF, there are market makers performing constant arbitrage in both the ETF and the underlying securities, thus causing the ETF to trade at very little discount or premium to the NAV of the portfolio.

> ***"Based on ShariahShares estimates, the Islamic asset management industry in the US grew to over US$3.7 billion by the end of 2011"***

The ETF industry has experienced rapid growth since its inception in 1993. The first ETF in the US market was launched by State Street Global Advisors (SSGA) focusing on the S&P 500 Index (SPDR). AUM in 2000 were US$74.3 billion and at the end of February 2012 stood at

Assets of ETFs by type (US$ millions)

	Feb-12	Feb-11	Change over previous year
Total Domestic Equity	690,508	618,458	12%
Global/International Equity	291,125	273,996	6%
Hybird	418	335	25%
Bond	200,465	142,291	41%
Total	1,182,516	1,035,080	14%

Source: Investment Company Institute

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Performance of Dow Jones Islamic market US Index									
	Price Return (%)				Annualized Price Return (%)				
Currency	1month	3 month	YTD	2011	1 year	3 year	5 year	10 year	Since inception
US$	2.4%	12.17%	12.17%	1.53	7.43%	20.15%	3.82%	3.86%	7.02%
Data Calculated as of the 31st March 2012 Index was first calculated on the 24th May 1999									

US$1.524 trillion. This represents an annual growth rate of 28.6% during the above period.

The ETF industry has grown primarily at the expense of the mutual funds industry since it has dramatically reduced the total expense ratio of the funds industry. Another reason for the rapid growth of the ETF industry has been the increasing popularity of indexing. According to BlackRock, the global ETF industry AUM is expected to grow in excess of US$2 trillion by this year end.

The US Shariah compliant investment management industry

The worldwide Islamic funds industry AUM grew to US$58 billion in 2010, according to the E&Y Islamic Funds Report 2011. This was an increase of 7.6% over the previous year. US$3.5 billion was managed by US-registered funds. The E&Y report states that the addressable universe for the Islamic fund managers is in excess of US$500 billion and growing at a rate of 10-15% per year.

Based on ShariahShares estimates, the Islamic asset management industry in the US grew to over US$3.7 billion by the end of 2011. The Amanah Trust Growth Fund and the Amana Trust Income mutual funds hold the majority of the assets in the sector.

US Islamic mutual funds have experienced rapid growth in the past few years due to the outperformance of Shariah compliant indexes over the conventional indexes. In the past five years, the Dow Jones Islamic Market US Index has shown solid returns and has outperformed the conventional US Indexes. The main reason for the excess return has been due to the zero exposure of Islamic indexes to western financials and the over-exposure of Shariah indexes to commodities.

The outlook for the US Islamic finance industry in 2012

We expect the Islamic asset managers to perform well due to the recovery of the global economy especially in emerging markets. As long as the outperformance of Shariah indexes over conventional indexes continues, this should be positive for Shariah compliant fund managers.

The challenges faced by the Shariah compliant funds industry are:

1. **Lack of quality Shariah compliant products**: In the US market there are very few Shariah mutual funds (equities only) and this does not enable the investors to adequately diversify their portfolio holdings. Greater selection of asset classes and lower fees are desired by the investors. Low cost products must be developed to compete effectively with conventional ETFs and mutual funds.

2. **Scalability is the main challenge for the industry**: Shariah compliant ETFs and mutual funds have to reach economies of scale in order to be viable and compete effectively with conventional funds. It is estimated that break-even per fund is between US$50-100 million in AUM based on the management fee charged and cost structure.

3. **Limited availability of index-based ETF and mutual funds**: As evidenced by numerous studies, most active managers do not add value compared to the index due to their higher fees and greater portfolio turnover (transaction costs).

Conclusion

It is critical that Shariah compliant fund managers obtain scalability in order to compete effectively in the industry. This requires a solid track record of outperformance for actively managed funds and strong branding. In the indexing space, the key success factors are offering low fee products and acceptable tracking errors.

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Initiatives in the Islamic finance space in Canada

REHAN HUDA discusses some of the initiatives taken by industry participants in furthering the development of Islamic finance in Canada.

Over the past year, there have been several new initiatives in the Islamic finance space in Canada. Though relatively underdeveloped compared to some other jurisdictions, Islamic finance in Canada is making small but steady strides.

The Islamic Finance Working Group (IFWG) of the Toronto Financial Services Alliance, a public-private alliance dedicated to the promotion of Toronto as a financial center, issued a report entitled 'Making Toronto the North American Center for Islamic Finance: Challenges and Opportunities'. The report highlighted, among other issues, some of the Canadian tax challenges for Islamic finance products.

In September 2011 KPMG Canada, a member of the IFWG, produced a discussion paper, 'The Taxation Treatment of Islamic Finance in Canada', which provided the first comprehensive analysis of the direct and indirect tax implications from a Canadian perspective. This seminal work from KPMG will help in the ongoing discussion of Islamic finance in Canada and enable policy makers, regulators and industry participants to take steps in furthering the development of Islamic finance in the country.

The paper concluded that a collaborative approach between industry and the tax authorities is necessary to ensure an equitable tax treatment and the competitiveness of Islamic finance services and products in Canada. Other jurisdictions where the tax authorities have taken, or are in the process of taking, steps to ensure equitable treatment of these services and products (e.g. the UK) offer useful precedents for Canada.

> *"Education in Islamic finance in Canada has been led by the Islamic Finance Advisory Board of Canada"*

Islamic Finance Advisory Board of Canada

Education in Islamic finance in Canada has been led by the Islamic Finance Advisory Board of Canada (IFAB). A key function of the board is to create awareness about Islamic finance in the communities living in Canada. The board educates its clients and the community through workshops, seminars, certifications and training programs by experienced and qualified Islamic finance professionals.

In partnership with Centennial College, the IFAB is assisting in an online course entitled 'Islamic Finance and Investment'. The course provides a comprehensive introduction to the topic as well as being a prerequisite for the accredited Islamic Finance Qualification offered by London's Security and Investment Institute.

Islamic finance initiatives

Recently, the University of Toronto's Rotman Business School launched the first MBA course in Islamic finance. This was the first Islamic finance course to be taught at a leading North American business school.

In terms of retail offerings, there are a few community cooperatives which offer limited home financing and investment options. Some of the Canadian credit unions have done Shariah compliant commercial financing for mosques, Islamic schools and Muslim businesses.

The largest Shariah compliant funds in Canada are those of the Bullion Management Group, a firm specializing in physical gold, silver and platinum bars. Global Growth Assets also offers a Canadian mutual fund, Global Iman Fund, based on the Dow Jones Islamic Index.

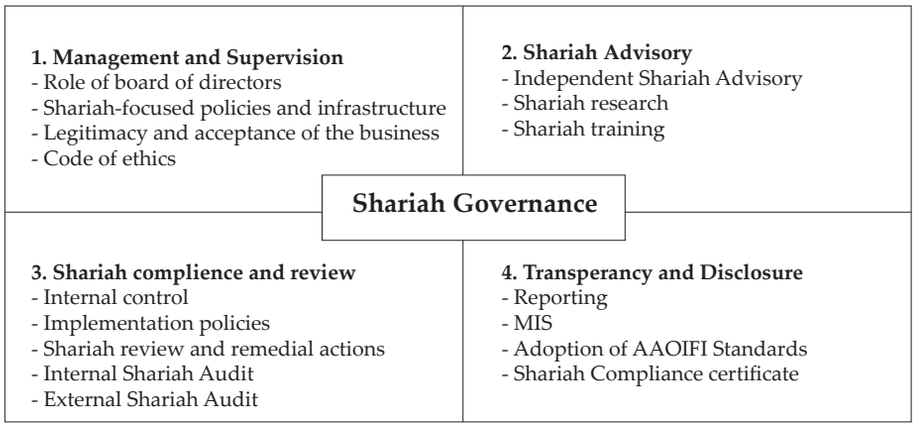
Shoreline Capital Management, a Canadian brokerage, has launched its Shariah compliant investment banking division, Amana Canada Capital. With a focus on the real estate, resource, technology and the financial services sector, Amana will be offering GCC and other international investors access to Shariah compliant deal flows originating from the Canadian market. A partnership between Amana and Canada Business Holdings out of Abu Dhabi was recently announced to bring such opportunities to the UAE.

Rehan Huda is a director at Amana Canada Holdings and he can be contacted at rhuda@amanacanada.com.

Shariah governance model and its four basic pillars

It is imperative to implement a strong Shariah governance mechanism for the growth of the Islamic finance industry. IMRAN HUSSAIN MINHAS looks at the Shariah governance model and its four basic pillars.

Governance is a method which an organization adopts to ensure that components of the organization follow set rules, regulations, policies and processes. Governance is said to be good when it primarily ensures the achievement of these objectives with the existence of an effective risk management system, transparency, fairness, responsibility, accountability and independence. Good governance is termed as corporate governance when a business entity is operated, regulated and controlled by the well designed risk management policies, processes, corporate regulations, rules and laws that lead the entity to achieve its ultimate goals.



What is Shariah governance?

Shariah governance is the alignment of corporate governance according to Islamic principles. Specifically, Shariah governance is "the set of institutional and organizational arrangements, policies, processes, procedures rules, regulations and laws which leads the organization towards Shariah compliance". Shariah governance applies to Islamic financial institutions (IFIs) as its compliance is the only reason for an IFI to exist. Shariah governance is based on four pillars and is monitored either through a Shariah board or through a dedicated internal Shariah review department, working under the board of directors.

Why Shariah governance?

Over the last three decades, Islamic banking and finance (IBF) has shown tremendous growth globally. It has reached more than 70 countries including non-Muslim jurisdictions like China, Germany, Hong Kong, Japan, South Korea, Singapore and the UK. IBF is getting its share in the financial system with a rapid growth rate of over 20%.

According to Ernst & Young, the assets of Islamic finance grew to US$1.1 trillion in 2012 from US$826 billion in 2010. Analysts from Deutsche Bank have projected the growth of Islamic banking assets to reach US$1.8 trillion by the end of 2016. This growth confirms that IBF is a feasible substitution for the conventional financial system.

The globalization of Islamic finance has reinforced the mysticism of Shariah and every business activity which demonstrates growth and involves public interest needs to be regulated by a set of rules and regulations.

The growth of Islamic finance demands that IFIs must be regulated through such set standards which are capable of raising early warning signals of Shariah non-compliance. Shariah governance is also necessary to maintain the trust of clients of Islamic financial institutions in the IBF and to safeguard the interests of investors and other stakeholders in the Islamic financial system.

To achieve a certain level of maturity, regulators of Islamic financial institutions need to address Shariah regulatory issues through a legitimate and sound Shariah governance model based on the true principles of Islam. A comprehensive Shariah governance model is based on four basic pillars.

Four basic pillars of a Shariah governance model

Political support is a driving force to promote Islamic finance in any country. Yet an accommodative regulatory and supervisory framework for effective Shariah governance is also imperative for growth. It would not be wrong to call Shariah governance the brain of the Islamic finance industry. It provides a complete system to ensure the compliance of Islamic principles in doing business. Without Shariah governance, one cannot guarantee that a true and successful Islamic financial system and markets are in place. I believe that a comprehensive Shariah governance system is based on the following four pillars:

1. **Management and supervision**
   Management is the first pillar of Shariah governance and the board of directors (BOD) comes first in the management team. The BOD, senior management and organizational structure show a complete set of behavior within the organization. The success of any entity, specifically the IFI, entirely depends on the willingness of the management to adopt and implement Islamic principles in the organization. The provision of adequate resources, system procedures, infrastructure and a code of ethics for the acceptance of business and its legitimacy according to Shariah governance also depends on the management. Proper policies will be inadequate if they are not implemented and supervised positively. For better results, the bare minimum requirements for management may be prescribed by

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the regulators, and may include the following:

- Fit and proper criteria for the BOD and senior management;
- Shariah risk management policies containing a systematic approach to identify, measure, treat and monitor Shariah non-compliance risk;
- Duties and responsibilities of the Shariah board/advisors;
- Introduction of financing agreements and a Shariah compliance mechanism to ensure that the operations of the IFI are Halal and free from Riba and Gharar;
- Screening process for investment in shares and securities, process of income purification and management of charity;

2. **Shariah advisory board**
An independent Shariah advisory board or Shariah advisor is the second most important pillar of the Shariah governance model. Preferably the Shariah board should be established in two tiers: firstly at the regulatory level, the central Shariah advisory body; and the other at internal level, the in-house Shariah advisor/board.

Central Shariah advisory body: The apex Shariah advisory body of the country, which defines the basic structure of the Islamic financial system in the country. This body may be assigned the task of approving the code of Shariah compliant business activities, financing agreements, policies, and setting the direction for IFIs in the country as the final authority for Shariah matters and disputes.

Shariah advisory board of the IFI: The management of IFIs do not always possess the necessary in-depth knowledge of Shariah and are unable to interpret day-to-day sensitive Shariah issues. To cope with the deficiency of the management in Shariah understanding, another tier of a qualified and independent Shariah board or Shariah advisor is required to be engaged for Shariah interpretations, rulings, Fatwas, product development, review of business process and agreements. The Shariah board may also be given the task of conducting research and arranging training programs for the IFI's staff in accordance with Shariah.

> ***"An independent Shariah advisory board or Shariah advisor is the second most important pillar of the Shariah governance model"***

3. **Shariah compliance and review**
Shariah compliance and review is the third important pillar. Shariah review and assessment of adequacy of internal controls is a regular feature of Shariah compliance. For this purpose an internal Shariah audit department, under the internal audit committee of the board, must be established with the objective of ensuring compliance and developing a Shariah non-compliance risk awareness culture in the organization.

However, due to various reasons the internal audit is not considered to be a sufficient and reliable tool by external users. Therefore, to give greater confidence to the stakeholders of IFIs, an independent external Shariah audit must also be conducted by the statutory auditors, for which they are required to build up their capacity by engaging qualified Shariah auditors in their teams.

Until the audit firms develop a reliable Shariah audit system, Shariah reviews of the operations and transactions of IFIs may be conducted by their in-house Shariah board or advisor on a periodical basis.

4. **Transparency and disclosure**
The fourth pillar, transparency and disclosure, is a critical part of the Shariah governance model. Transparency and disclosure always have material impact on the cost of capital, reputation, investors' decision and stock prices. Stakeholders, shareholders and the general public are always interested in correct and timely information of a company for their investment decisions. Information is of two types, financial and non-financial. Positive information on the affairs of the organization makes them a blue chip and it becomes easy for the organization to raise funds from the general public or financial institutions at a lower cost.

A well-planned management information system is also essential for the top management. Timely and correct information helps the management to take corrective actions and future decisions which may ultimately affect their business, profitability, competition and growth.

Major areas of disclosure:

- Information about the IFI, business strategy, business trends, major business plans, major shareholding, ownership and voting rights.
- Information about the management, i.e. composition of board of directors and key executives and compensation.
- Information about governance structure — good practices, delegation of authority, risk areas, policies, key performance indicators etc.
- Information about the financial position and key financial indicators.
- Material issues affecting employees and other stakeholders.
- Foreseeable risk factors.
- A Shariah compliance certificate duly issued by the external auditor and Shariah board/advisor.

Conclusion

To maintain the confidence and trust of the customers in Islamic banking it is imperative to introduce and implement a strong Shariah governance mechanism for the growth and stability of IFIs and to minimize Shariah non-compliance risk.

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Islamic Investor

PRUDENTIAL AL-WARA'
Asset Management

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Potential boost for the industry

Cover Story

The 5th April was a significant milestone for the private retirement industry in Malaysia after the Securities Commission Malaysia (SC) announced the list of eight asset /fund management companies approved as private retirement scheme providers (PRS providers). This was following the Capital Markets and Services (Private Retirement Scheme Industry) Regulations 2012 which came into force about two weeks earlier.

Ranjit Ajit Singh, the managing director of the SC, is reported to have said that Malaysia's PRS aims to promote the welfare of the population at retirement through a multi-pillar pension framework. This scheme is intended to complement and supplement the existing mandatory Employees Provident Fund (EPF) contribution.

Of the eight approved PRS providers, six have Islamic funds in their stable but no announcement has been made as to whether these fund houses will include Islamic funds as part of their PRS offering. According to the SC, the approved PRS Providers have been given six months from the 5th April to comply with conditions of their approval, which includes obtaining the SC's approval for their schemes and funds under their PRS Scheme.

While it is still very early days, the PRS providers should take a leaf out of the book of Australia's fund management industry. Cerulli Associates' latest report accredits the superannuation for the success of the sector, which had US$1.28 trillion in assets as at December 2011, accounting for a total of 70% of total industry assets.

PRS Providers	Islamic Funds
AmInvestment Management	11
American International Assurance	—
CIMB-Principal Asset Management	17 (include closed-ended)
Hwang Investment Management	4
ING Funds	4
Manulife Unit Trust	—
Public Mutual	33
RHB Investment Management	4

Source: company websites

The research house lists several factors contributing to this success, including mandatory contributions which will gradually increase from 9% to 12% over the next nine years. Based on forecast data, superannuation assets are predicted surge to an estimated AU$3.83 trillion (US$3.96 trillion) by 2025 according to the Australian Treasury, while Deloitte projects AU$6 trillion (US$6.21 trillion) by 2030. While this may not hold water in Malaysia as there is an existing mandatory EPF contribution, it would be paramount to educate the public on the benefits of this new retirement scheme.

Cerulli also highlights another factor, which is the wide variety of investment choices and simple low cost products afforded to the superannuation members. Australia, it continued, is currently discussing a new piece of legislation that proposes to serve pension plan members with low-cost, simple, transparent and diversified products. Dubbed 'MySuper': "It will give a foretaste of where most mature pension industries end up. However, with default products' fees likely to be capped at 1%, asset managers need to work out profitability issues," the report stated.

The third factor Cerulli points out is the evolution of the industry towards simplicity. Despite the superannuation having a large number of funds and types of funds, self-managed funds have increased exponentially, making up 33.9% of all the superannuation assets. Cerulli predicts that the number of large superannuation funds is likely to shrink as the total number of funds increases.

Although this is particular to the Australian investment space, PRS providers should be mindful that investors are looking at funds that do not charge high management fees. While the EPF scheme has capped management fees at 3% for investments into unit trusts, the SC should emulate the same formula or even lower to attract potential members into the PRS. As Malaysia continues to dominate the Islamic space, prominence should be given towards Islamic funds. This will definitely help boost the Islamic asset management industry in Malaysia from a mere 10.95% of the total assets it currently holds as of the 29th February, according to the SC. — *RW*

In this issue...

Islamic funds for Morocco?

MOROCCO: Local capital management company BMCE Capital Gestion is considering offering a range of Islamic funds.

Amine Amor, its CEO, said that the company is currently looking into a number of products that also include Islamic offerings, in response to the rising demand for Shariah compliant products.

OSK in Islamic stockbroking bid

MALAYSIA: OSK Investment Bank is in the final stages of setting up an Islamic stockbroking business, said Yazit Yusuff, its head of Islamic banking.

The new business will offer research on Shariah compliant stocks, the buying and selling of shares, settlement, discretionary and margin financing.

The bank is also considering launching the business outside Malaysia, said Yazit.

He added that the bank is eyeing opportunities to tap into the Islamic fund and wealth management business in emerging markets for Islamic finance such as Hong Kong, Indonesia, Singapore and Thailand.

Optimistic prospect for Islamic funds

INDIA: The country's Shariah compliant funds fared better than the Bombay Stock Exchange (BSE) Sensex index last year; with the BSE TASIS Sharia 50 Index losing 5.25% compared to the benchmark's 13.21% loss.

India's Islamic funds Taurus Ethical Fund and Tata Ethical Fund lost -7.96% and -2.53%, respectively, last year – still better than the Sensex's returns.

Meanwhile, Shariq Nisar, the director of operations and research at Taqwaa Advisory and Shariah Investment Solutions, said that the small number of Shariah based indices in the country could grow around 20% in the coming years.

India's Islamic funds manage a total of US$26.93 million-worth of assets, while its stock exchange lists around 1,200 Shariah compliant counters.

Al Hilal Global Sukuk Fund

The fund aims to generate appropriate periodic returns on its investments, giving investors a chance to receive periodic coupons in addition to long-term capital growth by investing in a diversified portfolio of Shariah compliant global fixed income securities (Sukuk) and in accordance with the controls stipulated in the Investment Guidelines

Could you provide an overview on the asset class which this fund is investing in?
The fund's assets will be invested in Sukuk issued globally by sovereigns, quasi-sovereigns and corporates that, in the fund manager's opinion, have the highest potential of achieving the fund's objective.

What are the factors that were considered prior to launching this fund?
To respond to clients' demand for income-generating lower risk investment solutions. Also, to expand IBG's product offerings while complementing the existing GCC Equity Fund in terms of risk profile.

Please elaborate on the driving factors of the main sectors selected in this fund's portfolio.
With global growth, particularly from developed nations, having a bumpy ride; and with potholes still seen along the path, the general theme has been to ride on the benefits that this provides to emerging markets; particularly those in the GCC and Asia which this fund invests in. Strong economic growth, growing consumer demand and government expenditure on infrastructure development are seen as potential drivers to the growth of these countries.

Taking this into consideration, the fund was constructed with a slight bias towards sovereigns and quasi-sovereigns, but still keeping sufficient corporate exposure for potential yield pickup.

What is the short-term and long-term outlook of sectors in this fund?
The sectors outlined above are long-term projects in developing countries to provide better infrastructure and standards of living. The increasing population and rising income of middle class citizens has boosted demand for both the government and corporate sector to expedite their progress. With the increase in demand, it has also boosted the short-term prospects, whilst still keeping its long-term benefits intact. Hence we are of the view that the sectors selected shall be able to provide decent growth in this volatile environment. The mixture of these sectors will outperform in the long-term.

How does the theme of the asset class of this fund fit with investors today?
The fund invests only in global Sukuk. Given the volatility of the current global markets, Sukuk are deemed as less volatile and safer investments due to their nature, which is similar (but not the same) as conventional bonds. With demand surpassing supply, global Sukuk have a tremendous future ahead with sovereigns and corporates looking to them as an alternative for their funding requirements.

What are the sectors you are heavily invested in and why?
The fund is well diversified to capture the benefits of the various sectors that we have identified. For example, the fund currently comprises sovereigns/ quasi-sovereigns and supranationals at 38%, with financials comprising 34% and corporates in various sectors at 29%. With a sectoral focus in real estate, utilities or infrastructure development, trading and services, we are well-positioned to ride on the expected growth that these sectors provide.

Moving forward, as the market improves and as we progress towards a freer economy, we expect the percentage of sovereigns/ quasi-sovereigns to decline and those of financials and corporates to increase.

What is the market outlook for this fund?
From the perspective of acceptability of the fund, Sukuk has been the province of the government, financial and corporate industries since inception. Retail participation has been minimal since there have not been many avenues for retail involvement. As awareness of the availability of this fund increases, we are positive that the take-up rate will increase tremendously.

From an investment perspective, the fund is set up to ride the positive growth outlook of the UAE and GCC and also Asia in general. We foresee there will be upside in terms of capital appreciation and steady income consistently from this fund. This is basically driven by the expected growth of these economies, backed by increased infrastructure spending, rising income and middle class citizens, and a revived real estate industry. With US dollar yields expected to remain low, foreign investment into emerging economies and its effect on Sukuk in particular is also expected to continue to spur prospects.

Supply of Sukuk, which translates into more investment options for the fund, will also serve to improve the outlook. There is currently a healthy pipeline of supply from the GCC and Asia. This will help to increase liquidity of the market and narrow the spreads, translating into opportunities for the fund.

Fact sheet	
Fund Manager	Al Hilal Bank, Investment Banking Group
Sponsor	Al Hilal Bank
Investment Advisor	CIMB- Principal Islamic Asset Management
Shariah Advisor(s)	Members of Al Hilal Bank Fatwa and Shariah Supervisory Board
Benchmark (Index)	LIBOR + 100 bps
Domicile	UAE
Inception Date	27th March 2012
Fund Characteristics	**Fund Type** Open-ended fund **Fund Size** Circa US$20 million at inception **NAV per share** US$10 per share at inception **Minimum / Subsequent Investment** US$10,000 / US$1,000 **Management Fee** 0.85% per annum **Dividend policy** Aims at distributing 100% of the achieved coupons to the unitholders at the end of each calendar year

Eurekahedge Asia Pacific Islamic Fund Index

Top 10 Monthly returns for Developed Markets funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Oasis Crescent Global Property Equity	Oasis Global Management Company (Ireland)	10.43	Ireland
2	ETFS Physical Palladium	ETFS Metal Securities	9.15	Jersey
3	Allianz RCM Islamic Global Equity Opportunities - A - USD	Allianz Global Investors Luxembourg	7.96	Luxembourg
4	Oasis Crescent Global Equity	Oasis Global Management Company (Ireland)	7.69	Ireland
5	The Iman	Allied Asset Advisors	7.61	US
6	Al Rajhi Global Equity	UBS	7.42	Saudi Arabia
7	AlAhli Global Trading Equity	The National Commercial Bank	7.27	Saudi Arabia
8	iShares MSCI World Islamic	BlackRock Advisors (UK)	6.84	Germany
9	EasyETF DJ Islamic Market Titans 100	BNP Paribas Investment Partners	6.65	France
10	AlAhli Small Cap Trading Equity	The National Commercial Bank	6.64	Saudi Arabia
	Eurekahedge Developed Markets Islamic Fund Index		**-1.10**	

Based on 83.95% of funds which have reported March 2012 returns as at 17th April 2012

Top 10 Monthly returns for Emerging Markets funds

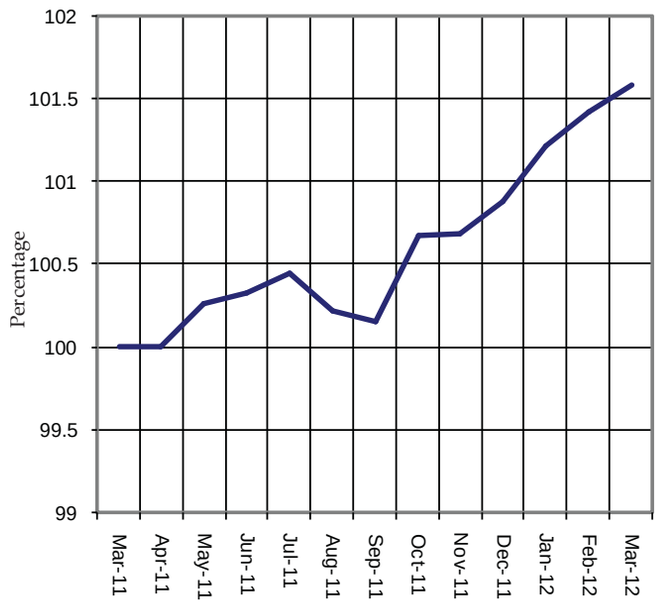
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al-Mubarak Pure Saudi Equity	Arab National Bank	10.91	Saudi Arabia
2	Al-'Aqar KPJ REIT	AmMerchant Bank	9.17	Malaysia
3	Jadwa Saudi Equity	Jadwa Investment	8.49	Saudi Arabia
4	Al-Saffa Saudi Equity Trading	Banque Saudi Fransi	8.30	Saudi Arabia
5	Jadwa GCC Equity	Jadwa Investment	7.82	Saudi Arabia
6	Jadwa Arab Markets Equity	Jadwa Investment	7.69	Saudi Arabia
7	Saudi Equity - (Al Raed)	Samba Financial Group	7.58	Saudi Arabia
8	Al Rajhi GCC Equity	Al Rajhi Bank	7.40	Saudi Arabia
9	Bakheet Saudi Trading Equity	Bakheet Investment Group	7.40	Saudi Arabia
10	TRIM Syariah Saham	Trimegah Securities	7.22	Indonesia
	Eurekahedge Emerging Markets Islamic Fund Index		**1.25**	

Based on 61.09% of funds which have reported March 2012 returns as at 17th April 2012

Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, global investing (which would focus on funds investing with global mandate instead of a specific country or geographical region), fund of funds, real estate as well as the Sortino ratio. Each table covering the duration, region, asset class and ratio will be featured on a five week rotational basis.

Eurekahedge Islamic Fund Money Market Index over the last 5 years

Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 10 Islamic Money Market Funds by 3 Month Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	2.59	Pakistan
2	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	2.27	Pakistan
3	Al Dar Money Market	ADAM	2.03	Kuwait
4	PNM Amanah Syariah	PNM Investment Management	1.52	Indonesia
5	Public Islamic Money Market	Public Mutual	0.68	Malaysia
6	PB Islamic Cash Plus	Public Mutual	0.68	Malaysia
7	PB Islamic Cash Management	Public Mutual	0.67	Malaysia
8	USD International Trade Finance - (Al Sunbula)	Samba Financial Group	0.35	Saudi Arabia
9	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.33	Saudi Arabia
10	SR International Trade Finance - (Al Sunbula)	Samba Financial Group	0.32	Saudi Arabia
	Eurekahedge Islamic Money Market Fund Index		**0.16**	

Based on Based on 65.12% of funds which have reported March 2012 returns as at 17th April 2012

Top 5 Islamic Commodity Funds by 3 Month Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	ETFS Physical Platinum	ETFS Metal Securities	18.68	Jersey
2	ETFS Physical Silver	ETFS Metal Securities	12.67	Jersey
3	ETFS Physical PM Basket	ETFS Metal Securities	8.46	Jersey
4	ETFS Physical Gold	ETFS Metal Securities	5.17	Jersey
5	ETFS Physical Palladium	ETFS Metal Securities	2.55	Jersey
	Eurekahedge Islamic Commodity Fund Index		**4.76**	

Based on 100% of funds which have reported March 2012 returns as at 17th April-2012

Contact Eurekahedge
To list your fund or update your fund information: islamicfunds@eurekahedge.com
For further details on Eurekahedge: information@eurekahedge.com Tel: +65 6212 0900

Takaful news

Brought to you by Takaful IKHLAS

18th April 2012

Changing investment perceptions

Cover story

The previous and widely held perception has been that Islamic investments could not outperform conventional insurance. Yet Hassan Kamil, the group managing director at Syarikat Takaful Malaysia, contends that: "This belief is slowly eroding as Takaful players are beginning to prove that they are able to outperform their competitors in terms of investment and returns on their investments." He confirms that the yield on Syarikat Takaful's investments has hovered at approximately 6.5%, while rivals from the non-Islamic sector have been delivering less than 3%.

Globally, the Islamic finance market is growing at about 15-20% a year with equity fund assets expected to be worth somewhere in the region of US$1.6 trillion in 2012. According to AM Best, General Takaful increased at a compound annual growth rate (CAGR) of 27% from 2004-2009 while Family Takaful rose 22%.

Malaysia's total insurance industry grew about 12% in 2011 on the back of a healthy environment fuelled by various government-led stimulus plans, along with low interest rates. However, growth forecasts come with a warning on the economic instability affecting the US and Europe that may inevitably have an impact on Asian countries with global insurance performance likely to experience a drop.

As much of Malaysia's majority Muslim population begins to opt into Shariah compliant insurance and investments, consumers are steadily gaining more confidence in both Islamic investments and as a consequence the Takaful sector. In particular, this is because it is exceeding expectations in terms of performance compared with conventional insurance instruments. It must be highlighted however that Takaful needs to continue differentiating itself through innovation and superior customer service, to earn the trust of all stakeholders and attain competitive pricing.

> *"Takaful players are beginning to prove that they are able to outperform their competitors in terms of investment"*

According to the Insurance Services Malaysia (ISM) and the Life Insurance Association of Malaysia (LIAM), by 2015 Family Takaful contributions will represent almost half of total insurance premiums in Malaysia. ISA and LIAM estimate that Family Takaful will be valued at RM9.2 billion (US$3 billion) while conventional premiums will be worth RM10.1 billion (US$3.29 billion) by 2015.

Kamil believes that the best way of reaching the target market for Takaful is by using aggressive sales agents who work on a commission basis. "We have to look for new business, meaning people who don't have cover; people who have new family members, new companies, and new employees. These are the sources of our growth".

Malaysia is arguably the world's most developed country for Takaful products and Islamic finance in general. However, because premium payments are similar, Kamil says his company targets those without policies, mostly the young population, rather than the organic market — or existing conventional insurance holders who want to expand their policies. "I cannot go to customers and tell them that prices are the same, we're not cheaper," he said. "Why would somebody want to switch?

Ya'acob Abdullah, the executive chairman of MAA Group, has also asserted that MAA is to focus its strength on distribution, in particular in the towns and cities outside Kuala Lumpur. "Competition has always been stiff in Kuala Lumpur, and so MAA's strategy was to focus its efforts on smaller towns across the country," says Abdullah.

"All of the big international insurers have been in Kuala Lumpur since Malaysia's independence in 1957, and we realized it was going to be hard to compete with these well-established brands, on a head-on challenge," said Abdullah. MAA discovered that demand for its Takaful policies was high in the smaller towns, as not that many insurers had penetrated what was perceived as low-value territories, which have not reached saturation point. — SW

In this issue...

US$12 billion market value

GLOBAL: The global Takaful market is expected to grow to US$12 billion by the end of this year, according to data from Ernst & Young's recently released World Takaful Report 2012.

The growth is expected due to the expanding market for Family Takaful, aggressive pricing strategies by existing and upcoming Takaful operators and interest from Muslim countries such as Bangladesh, Egypt, Indonesia and Libya.

As of last year, Saudi Arabia contributed up to US$4.3 billion, or 51.8%, of the global Takaful industry, while Malaysia's Takaful market grew 24% to reach US$1.4 billion.

Takaful contributions in the UAE amounted to US$818 million while Sudan made a notable entry as the only market outside the GCC and Southeast Asia with US$363 million in contributions.

New office for Solidarity General Takaful

BAHRAIN: Solidarity General Takaful has opened a new branch in the kingdom that will function as its primary service center.

The relocation is part of the company's initiative to expand its retail network and proximity to clients to increase its customer base.

BNI Life Insurance eyes growth

INDONESIA: Local insurer BNI Life Insurance is aiming to increase its premium revenue by 73% to IDR1.9 trillion (US$207 million) by the end of 2012.

According to A Junaedy Ganie, its president director, this will be achieved via growth from its bancassurance business and other business lines, including its Shariah unit.

Strong year for GETSB

MALAYSIA: Great Eastern Takaful (GETSB) is expecting RM124 million (US$40.41 million) in Takaful contributions for the financial year ending the 31st December 2012, after booking RM7.6 million (US$2.48 million) in the first quarter of this year.

Mohamad Salihuddin Ahmad, its CEO, said that Malaysia's low Takaful penetration rate offers vast opportunities for the company. "The penetration rate in 2006 was 6% and almost double now due to new licenses to foreign players. The potential for Takaful is huge," he said.

Q "What influence has Islamic finance had on the corporate governance practices of the wider financial industry?"

A There are two major corporate finance issues in the Islamic finance industry. Firstly, the responsibilities of the Shariah board and who they should report to; and secondly the role of the investment Mudarabah depositors as stakeholders. As these are unique concerns for Islamic finance they have not concerned the wider finance industry, although arguably they should be of concern to conventional banks offering Islamic windows.

The profile of governance issues in Islamic finance has been heightened thanks to the efforts of the Islamic Finance Services Board in Kuala Lumpur and Hawkamah, the corporate governance institution for the Middle East, based in Dubai. The work they have undertaken in this area is commendable, and in the longer run it may influence thinking in the wider finance industry.

RODNEY WILSON
Emeritus Professor, Durham University UK and Visiting Professor, Qatar Faculty of Islamic Studies

A The global financial crisis has clearly shown that best practice corporate governance standards did not have the desired result. It can even be concluded that perhaps we were collectively lulled into a false sense of security because of it. The failures in the financial industry have drawn renewed attention to corporate governance in general, and although it has been suggested that the crisis would not have happened if the principles of Islamic finance had been adhered to, this is by no means a certainty. Islamic financial institutions are equally prone to failure, as has become painfully clear from a number of troublesome situations involving Islamic financial institutions.

DR NATALIE SCHOON
Principal consultant, Formabb

Next Forum Question:

"With more onshore financial centers aligning their regulations towards giving Islamic finance preferential tax treatment and a level playing field, will this negate the need for offshore centers?"

If you would like to air your views on the next Forum Question, please email your response of between 50 and 300 words to Christina Morgan, forum editor, at: Christina.Morgan@REDmoneygroup.com before the 27th April 2012.

Fahrettin Yahsi, general manager and board member, Albaraka Türk Participation Bank

Fahrettin Yahsi obtained his degree from the Department of Management of the Faculty of Political Sciences at Ankara University in 1987 and completed his Masters in Banking at the Department of Social Sciences Institute at Marmara University, Istanbul in 2006.

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

My professional career began in 1987 as a sworn auditor for banks. I became the assistant general manager at Ege Bank in 1996.

In 1998, my career path took me to Albaraka Türk as an assistant general manager and in 2009 I was appointed as the general manager.

I have also chaired the Vocational Union of Participation Banks in Turkey since May 2010.

What does your role involve?

As a general manager, I am involved in the development of the Islamic finance and banking industry in the country.

What is your greatest achievement to date?

One of the important achievements in my life was when I joined the Al Baraka Banking Group (ABG).

With the support from ABG, Albaraka Türk has achieved great success and has made an immense contribution to the development of Islamic banking and finance in Turkey.

When this bank first started this business, the circumstances were not very favorable. But now, the bank has 130 branches across Turkey and a branch in Erbil, Iraq.

Which of your products/ services deliver the best results?

Our corporate and retail Murabahah products through which the funds are channeled to the real economy constitute the bulk of our business volume. Also, our profit and loss participation projects have been delivering outstanding results.

> *"The obstacles we face are competition, limited product range and the lack of a regulatory framework"*

What are the strengths of your business?

Albaraka Türk is the leading member of ABG, which has a wide geographical presence through its subsidiary banking units and representative offices in 13 countries with a total of over 400 branches.

Being a part of such a wide and strong global network is the strongest aspect of our business. ABG continuously supports us with its expertise in order to enhance sustainable and healthy growth.

Our attachment to the 'no interest' principle from the bottom up is the other strength of our business. We believe that interest-free banking is a way of life.

In the struggle to embed this philosophy at Albaraka Türk, we have a perpetual training process that involves everyone including the senior management.

The harmony and loyalty created between our customers, employees and shareholders have also been functioning as a magnet drawing the bank to success.

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

Loyal customers, the driven and competent staff, and our dynamic and top quality financial base.

What are the obstacles faced in running your business today?

The obstacles we face are competition, limited product range and the lack of a regulatory framework.

Where do you see the Islamic finance industry in the next five years?

By the end of 2011, the total assets of participation banks were around US$30 billion which corresponds to about 5% of the total assets of the banking sector in Turkey. I expect this rate to grow by 7% within the next five years.

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

I would like to see the profit and loss instrument being implemented more effectively and at a much higher rate.

Due to its complex nature on the fund utilization side, the profit and loss method of financing is not favored much.

Instead, Murabahah is widely preferred. However, we at Albaraka Turk managed to become an exemplary model in application of the profit and loss method of financing.

ISSUER	SIZE	DATE ANNOUNCED
Johor Corp Group	RM3 billion	13th April 2012
Citra Marga	IDR1.2 trillion	12th April 2012
Nakheel	AED240 million	11th April 2012
State Bank of Pakistan	TBA	2nd April 2012
Saudi Aramco	TBA	2nd April 2012
Development Bank of Kazakhstan	US$500 million	30th March 2012
Ethical Asset Management	TBA	30th March 2012
National Australia Bank	US$500 million	29th March 2012
Jebel Ali Free Zone	AED2.4 billion	21st March 2012
Indonesia sovereign	TBA	20th March 2012
Yemen sovereign	US$232 million	20th March 2012
Saudi Electricity Company	TBA	19th March 2012
Noble Group, Hong Kong	RM3 billion	15th March 2012
Kiler Group	US$100 million	12th March 2012
Dubai Investments	US$200 million	12th March 2012
Kazakhstan sovereign	US$1 million	8th March 2012
Encorp System Bilt	RM1.58 billion	8th March 2012
First Community Bank	KES2 billion	8th March 2012
Pakistan sovereign	TBA	7th March 2012
Syarikat Prasarana Negara	RM4 billion	6th March 2012
CIMB Singapore	SG$100 million	2nd March 2012
Kingdom Holding	TBA	1st March 2012
Qatar Petroleum	TBA	27th February 2012
Acwa Power	US$800 million	27th February 2012
South Africa sovereign	US$500 million	23rd February 2012
Maybank	RM7 billion	22nd February 2012
Oman Arab Bank	OMR10 million	20th February 2012
Yemen sovereign	TBA	20th February 2012
Kuwait Finance House, Turkey	TBA	18th February 2012
Maxis	RM2.45 billion	17th February 2012
Egypt sovereign	TBA	6th February 2012
Development Bank of Kazakhstan	TBA	6th February 2012
Turkey sovereign	TBA	3rd February 2012
Musteq Hydro	RM80 million	24th January 2012
General Authority for Civil Aviation	TBA	24th January 2012
Indonesian finance ministry	IDR2 trillion	24th January 2012
Albaraka Turk Katilim Bankasi	US$200 million	23rd January 2012
AirAsia X	US$200 million	17th January 2012
1Malaysia	TBA	16th January 2012
HSBC Amanah	TBA	12th January 2012
Bank Muamalat Indonesia	IDR1.25 trillion	9th January 2012
Sudan sovereign	TBA	3rd January 2012
Malaysian Airline System and Air Asia	RM12 billion	23rd December 2011
Emery Oleochemicals Group	US$151 million	20th December 2011
Saudi Arabia sovereign	TBA	13th December 2011
KMCOB Capital	RM343.1 million	5th December 2011
Emirates NBD	TBA	29th November 2011
Solum Asset Management	TBA	27th November 2011

IFN Correspondents

AFGHANISTAN: Zulfiqar Ali Khan
head of Islamic banking division, financial supervision department, Da Afghanistan Bank

AUSTRALIA: Gerhard Bakker
director, Madina Village

BAHRAIN: Dr Hatim El-Tahir
director, Islamic Finance Knowledge Centre, Deloitte & Touche

BANGLADESH: Md Shamsuzzaman
executive vice president, Islami Bank Bangladesh

BERMUDA: Belaid A Jheengoor
director of asset management, PwC

BRUNEI: James Chiew Siew Hua
senior partner, Abrahams Davidson & Co

CANADA: Jeffrey S Graham
partner, Borden Ladner Gervais

EGYPT: Dr Walid Hegazy
managing partner, Hegazy & Associates

FRANCE: Antoine Saillon
head of Islamic finance, Paris Europlace

HONG KONG & CHINA: Anthony Chan
partner, Brandt Chan & Partners in association with SNR Denton

INDIA: Keyur Shah
partner, KPMG

INDONESIA: Rizqullah
president director, BNI Syariah

IRAN: Majid Pireh
Islamic finance expert, SEO

IRAQ: Khaled Saqqaf
partner and head of Jordan & Iraq offices, Al Tamimi & Co

IRELAND: Ken Owens
Shariah funds assurance partner, PwC Ireland

JAPAN: Serdar A. Basara
president, Japan Islamic Finance

JORDAN: Khaled Saqqaf
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KAZAKHSTAN: Timur Alim
area manager, Al Hilal Bank

KOREA: Yong-Jae Chang
partner, Lee & Ko

KUWAIT: Alex Saleh
partner, Al Tamimi & Company

LUXEMBOURG: Marc Theisen
partner, Theisen Law

MALAYSIA: Nik Norishky Thani
head special projects (Islamic), PNB

MAURITIUS: Sameer K Tegally
associate, Conyers Dill & Pearman

NEW ZEALAND: Dr Mustafa Farouk
counsel member for Islamic financial institutions, FIANZ

OMAN: Anthony Watson
senior associate, Al Busaidy Mansoor Jamal & Co

PAKISTAN: Bilal Rasul
director (enforcement), SEC of Pakistan

QATAR: Jaime Oon
solicitor, Eversheds

SAUDI ARABIA: Nabil Issa
partner, King & Spalding

SINGAPORE: Yeo Wico,
partner, Allen & Gledhill

SRI LANKA: Roshan Madewala
director/CEO, Research Intelligence Unit

SWITZERLAND: Khadra Abdullahi
associate of investment banking, Faisal Private Bank

TANZANIA: Khalfan Abdallah
head of product development and Sharia compliance, Amana Bank

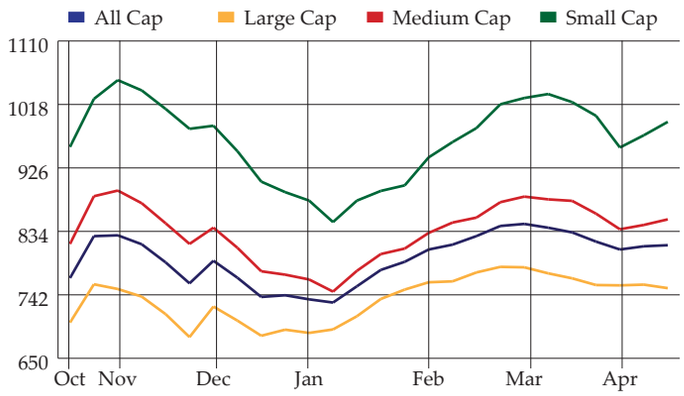
UK: Dr. Natalie Schoon
principal consultant, Formabb

YEMEN: Moneer Saif
head of Islamic banking, CAC Bank

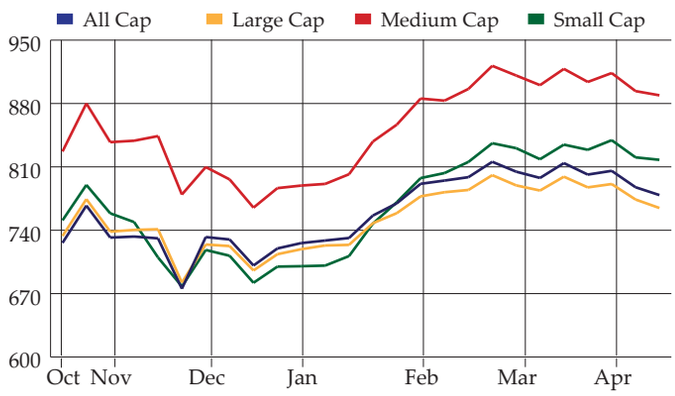
IFN Correspondents are experts in their respective fields and are selected by **Islamic Finance** *news* to contribute designated short country reports

For more information about becoming an IFN Correspondent please contact sasikala@redmoneygroup.com

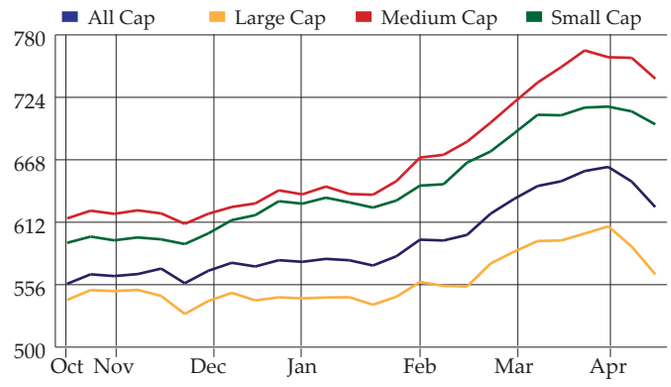
REDmoney Asia ex. Japan *6 Months*



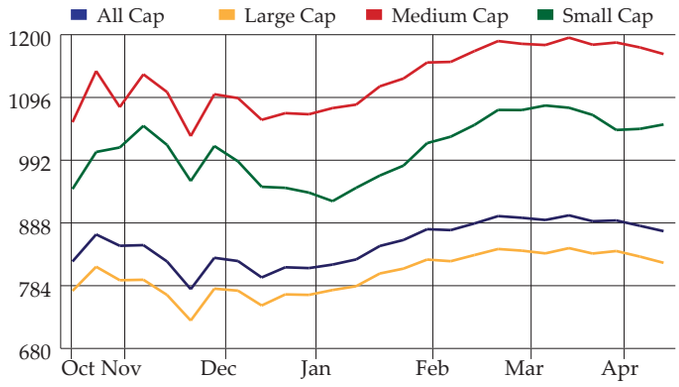
REDmoney Europe *6 Months*



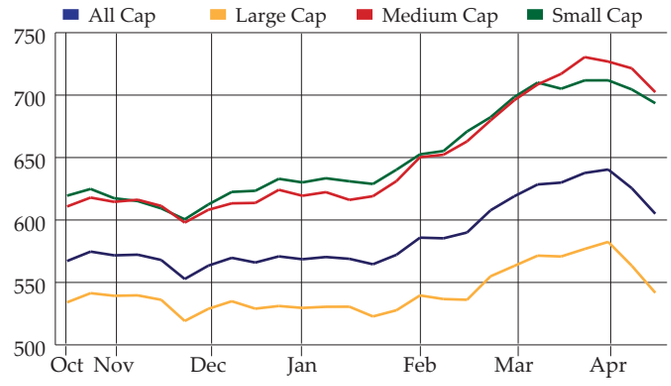
REDmoney GCC *6 Months*



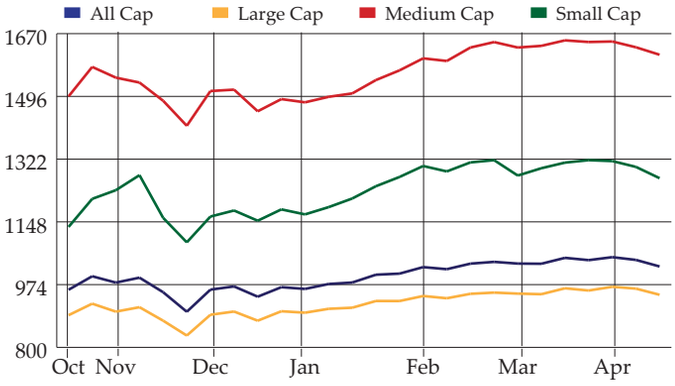
REDmoney Global *6 Months*



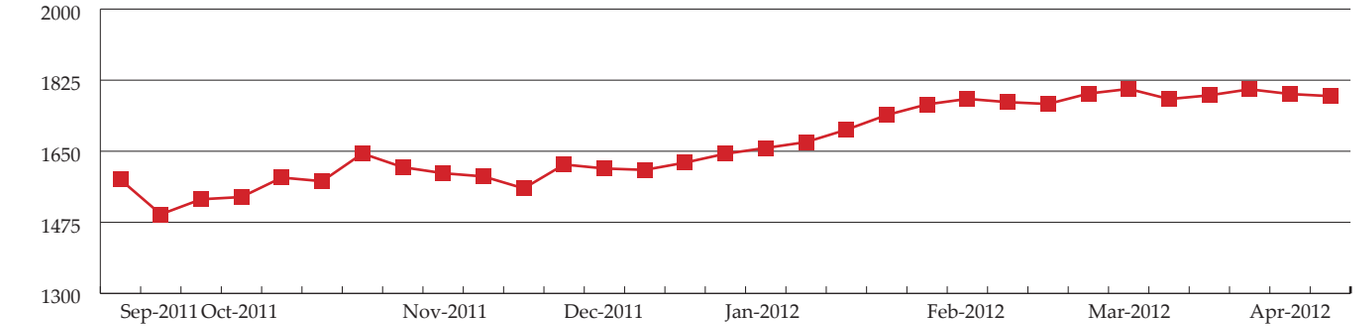
REDmoney MENA *6 Months*



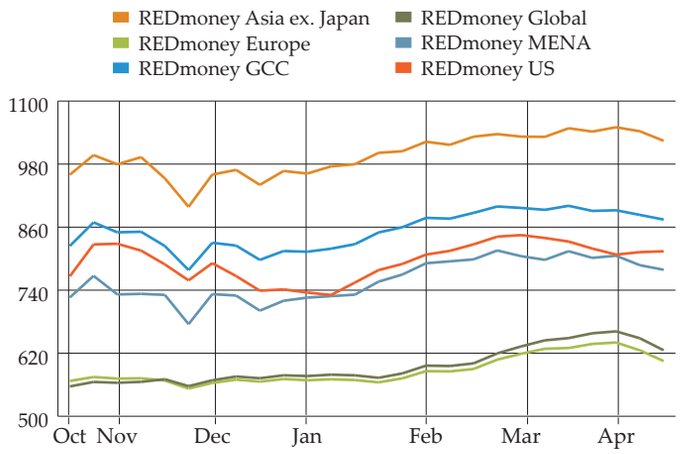
REDmoney US *6 Months*



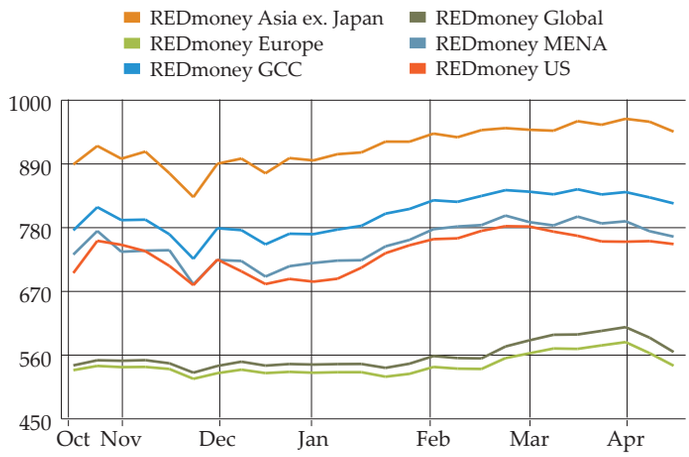
SAMI Halal Food Participation (All Cap) *6 months*



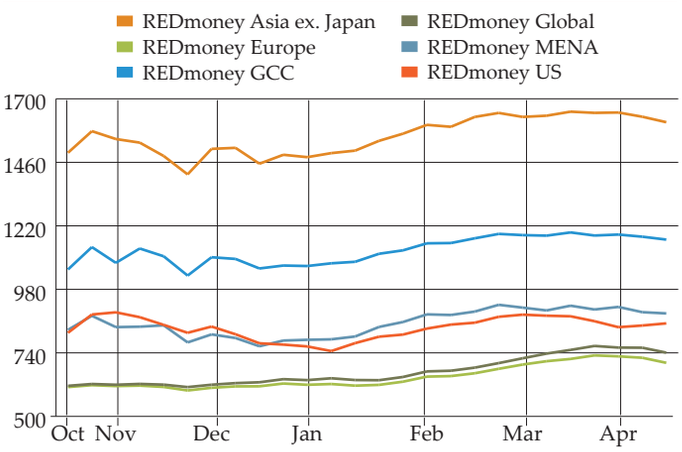
REDmoney Global Shariah Index Series (All Cap) *6 Months*



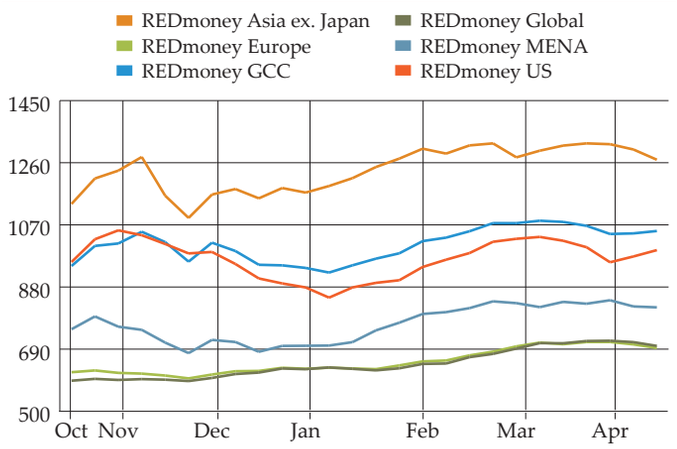
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



REDmoney Global Shariah Index Series (Medium Cap) *6 Months*



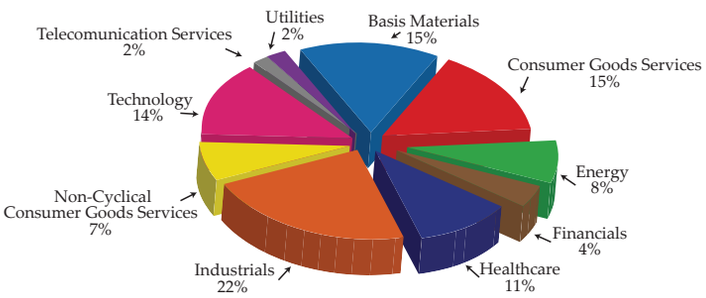
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

Once the index eligible universe is determined the underlying constituents are screened using a set of business and financial Shariah guidelines.



The REDmoney Global Shariah Index Series powered by IdealRatings consists of a rich subset of global listed equities that adhere to clearly defined and transparent Shariah guidelines defined by Shariyah Review Bureau in Jeddah, Saudi Arabia.

The REDmoney Shariah Indexes provides Islamic investors with an accurate and Shariah-specific equity performance benchmark with optimized compliance credibility due to the intensive research conducted to ensure that index constituents do not conflict with the defined Shariah requirements.

IdealRatings™ is the leading provider of Shariah investment decision support tools to investors globally, including asset managers, brokers, index providers, and banks to empower them to develop, manage and monitor Shariah investment products and Shariah compliant funds. IdealRatings is headquartered in San Francisco, California. For more information about IdealRatings visit: www.idealratings.com

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

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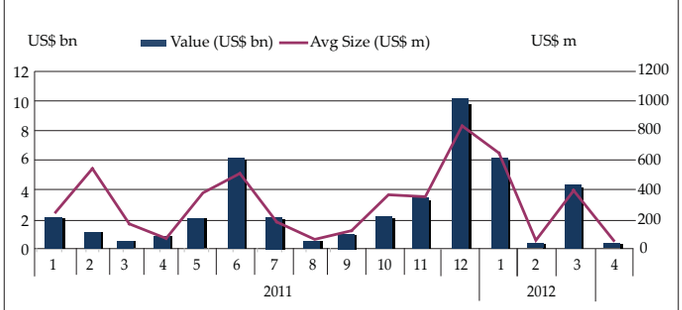
Tel +603 2162 7800

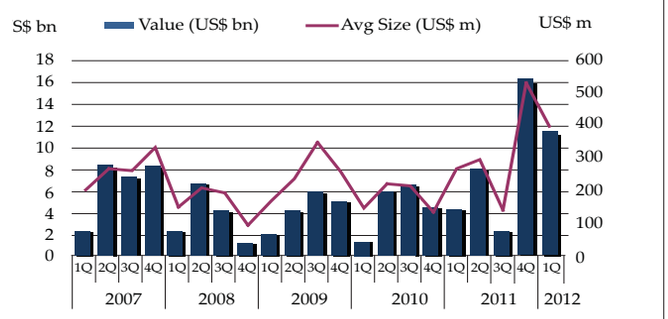
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
28th Mar 2012	Saudi British Bank	Saudi Arabia	Sukuk	Domestic market private placement	400	HSBC
28th Mar 2012	Aman Sukuk	Malaysia	Sukuk	Domestic market public issue	441	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
27th Mar 2012	Saudi Electricity	Saudi Arabia	Sukuk	Euro market public issue	1,750	Deutsche Bank, HSBC
21st Mar 2012	Cagamas	Malaysia	Sukuk	Domestic market public issue	163	RHB Capital, AmInvestment Bank
12th Mar 2012	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	123	Maybank Investment Bank
7th Mar 2012	Almarai	Saudi Arabia	Sukuk	Domestic market private placement	267	HSBC
7th Mar 2012	Tanjung Bin Energy Issuer	Malaysia	Sukuk	Domestic market private placement	1,089	HSBC, OCBC, RHB Capital, DRB-HICOM, CIMB Group, Affin Investment Bank, Maybank Investment Bank
22nd Feb 2012	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	232	Maybank Investment Bank
31st Jan 2012	MAF Sukuk	UAE	Sukuk Wakalah	Euro market public issue	400	Standard Chartered, HSBC, Dubai Islamic Bank, Abu Dhabi Islamic Bank
17th Jan 2012	General Authority for Civil Aviation	Saudi Arabia	Sukuk	Domestic market private placement	4,000	HSBC
12th Jan 2012	Tamweel	UAE	Sukuk	Euro market public issue	300	Standard Chartered, Dubai Islamic Bank, Citigroup
11th Jan 2012	FGB Sukuk	UAE	Sukuk Wakalah	Euro market public issue	500	Standard Chartered, HSBC, National Bank of Abu Dhabi, Citigroup
11th Jan 2012	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	796	RHB Capital, Kenanga Investment Bank, AmInvestment Bank
10th Jan 2012	EIB Sukuk	UAE	Sukuk	Euro market public issue	500	Standard Chartered, HSBC, RBS, National Bank of Abu Dhabi, Citigroup, Emirates NBD
16th Dec 2011	Projek Lebuhraya Usahasama	Malaysia	Sukuk	Domestic market private placement	6,155	RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
16th Dec 2011	Projek Lebuhraya Usahasama	Malaysia	Sukuk	Domestic market private placement	3,455	CIMB Group, AmInvestment Bank, Maybank Investment Bank
5th Dec 2011	Gulf International Bank	Bahrain	Sukuk	Euro market private placement	300	JPMorgan
28th Nov 2011	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	132	Maybank Investment Bank
24th Nov 2011	ANIH	Malaysia	Sukuk	Domestic market private placement	786	CIMB Group, Maybank Investment Bank
22nd Nov 2011	ADIB Sukuk	UAE	Sukuk	Euro market public issue	500	Standard Chartered, Nomura, HSBC, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Citigroup

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss	Managers
1	Projek Lebuhraya Usahasama	Malaysia	Sukuk	Domestic market private placement	9,610	2	RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
2	General Authority for Civil Aviation	Saudi Arabia	Sukuk	Domestic market private placement	4,000	1	HSBC
3	Pengurusan Air SPV	Malaysia	Sukuk Murabahah	Domestic market public issue	2,388	3	HSBC, CIMB Group, Maybank Investment Bank
4	Wakala Global Sukuk	Malaysia	Sukuk	Euro market public issue	2,000	1	HSBC, CIMB Group, Citigroup, Maybank Investment Bank
5	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	1,783	2	RHB Capital, AmInvestment Bank, Kenanga Investment Bank
6	Saudi Electricity	Saudi Arabia	Sukuk	Euro market public issue	1,750	1	Deutsche Bank, HSBC
7	Manjung Island Energy	Malaysia	Sukuk Ijarah	Domestic market public issue	1,545	1	Lembaga Tabung Haji, CIMB Group
8	Tanjung Bin Energy Issuer	Malaysia	Sukuk	Domestic market private placement	1,089	1	HSBC, OCBC, RHB Capital, DRB-HICOM, CIMB Group, Affin Investment Bank, Maybank Investment Bank
9	Perusahaan Penerbit SBSN Indonesia II	Indonesia	Sukuk Ijarah	Euro market public issue	1,000	1	Standard Chartered, HSBC, Citigroup
10	Aman Sukuk	Malaysia	Sukuk Musharakah	Domestic market public issue	812	2	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
11	ANIH	Malaysia	Sukuk	Domestic market private placement	786	1	CIMB Group, Maybank Investment Bank
12	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	750	1	Standard Chartered, BNP Paribas, Citigroup
12	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market public issue	750	1	Standard Chartered, Deutsche Bank, BNP Paribas, HSBC
14	Syarikat Prasarana Negara	Malaysia	Sukuk Ijarah	Domestic market public issue	667	1	CIMB Group, Maybank Investment Bank
15	First Gulf Bank	UAE	Sukuk Wakalah	Euro market public issue	650	1	Standard Chartered, HSBC, Citigroup
16	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	561	4	Maybank Investment Bank
17	HSBC Bank Middle East	UK	Sukuk	Euro market public issue	500	1	HSBC
17	FGB Sukuk	UAE	Sukuk Wakalah	Euro market public issue	500	1	Standard Chartered, HSBC, National Bank of Abu Dhabi, Citigroup
17	EIB Sukuk	UAE	Sukuk	Euro market public issue	500	1	Standard Chartered, HSBC, RBS, National Bank of Abu Dhabi, Citigroup Emirates NBD
17	Abu Dhabi Commercial Bank	UAE	Sukuk	Euro market public issue	500	1	Standard Chartered, JPMorgan, Abu Dhabi Commercial Bank, Bank of America Merrill Lynch
17	ADIB Sukuk	UAE	Sukuk	Euro market public issue	500	1	Standard Chartered, Nomura, HSBC, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Citigroup
22	Saudi International Petrochemical	Saudi Arabia	Sukuk	Domestic market public issue	480	1	Deutsche Bank, Riyad Bank
23	Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	400	1	Standard Chartered, HSBC
23	MAF Sukuk	UAE	Debut Wakalah	Euro market public issue	400	1	Standard Chartered, HSBC, Dubai Islamic Bank, Abu Dhabi Islamic Bank
25	Saudi British Bank	Saudi Arabia	Sukuk	Domestic market private placement	400	1	HSBC
26	Cagamas	Malaysia	Sukuk	Domestic market public issue	393	3	CIMB Group, Maybank Investment Bank, RHB Capital, AmInvestment Bank
27	Putrajaya Holdings	Malaysia	Sukuk Musharakah	Domestic market private placement	360	3	CIMB Group, AmInvestment Bank, Maybank Investment Bank
28	Kuveyt Turk Katilim Bankasi	Turkey	Sukuk	Euro market public issue	350	1	Standard Chartered, HSBC, KFH, Abu Dhabi Islamic Bank, Commerzbank Group
29	Tamweel	UAE	Sukuk	Euro market public issue	300	1	Standard Chartered, Dubai Islamic Bank, Citigroup
29	Gulf International Bank	Bahrain	Sukuk	Euro market private placement	300	1	JPMorgan
	Total				**40,184**	**108**	

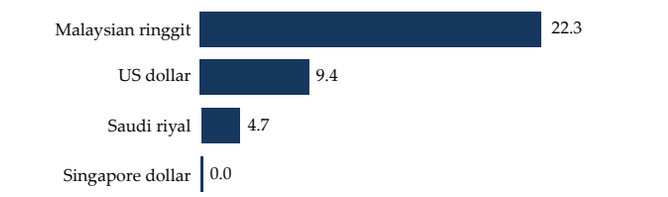
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	HSBC	8,350	18	20.8
2	Maybank Investment Bank	7,273	35	18.1
3	CIMB Group	7,068	29	17.6
4	AmInvestment Bank	4,902	23	12.2
5	RHB Capital	2,772	21	6.9
6	Standard Chartered Bank	1,874	12	4.7
7	Citigroup	1,692	8	4.2
8	Deutsche Bank	1,302	3	3.2
9	Lembaga Tabung Haji	935	3	2.3
10	BNP Paribas	438	2	1.1
11	JPMorgan	425	2	1.1
12	Affin Investment Bank	334	5	0.8
13	OCBC	313	6	0.8
14	National Bank of Abu Dhabi	292	3	0.7
15	Kenanga Investment Bank	265	1	0.7
16	Abu Dhabi Islamic Bank	253	3	0.6
17	DRB-HICOM	250	5	0.6
18	Riyad Bank	240	1	0.6
19	Dubai Islamic Bank	200	2	0.5
20	Hong Leong Bank	141	4	0.4
21	Bank of America Merrill Lynch	125	1	0.3
21	Abu Dhabi Commercial Bank	125	1	0.3
23	KFH	109	2	0.3
24	Public Bank	108	3	0.3
25	RBS	83	1	0.2
25	Nomura	83	1	0.2
25	Emirates NBD	83	1	0.2
28	Commerzbank Group	70	1	0.2
29	Malaysian Industrial Development Finance	40	1	0.1
30	Alliance Investment Bank	22	1	0.1
	Total	**40,184**	**108**	**100.0**

Top Islamic Finance Related Project Finance Mandated Lead Arrangers *12 Months*

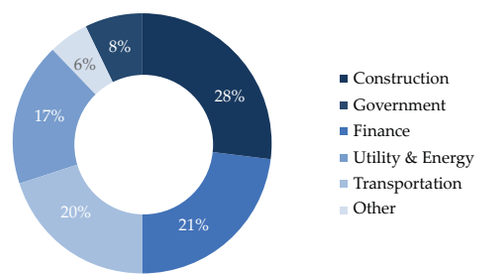
	Mandated Lead Arranger	US$ (million)	No	%
1	Samba Financial Group	592	4	6.2
2	Public Investment Fund	463	2	4.9
3	Arab National Bank	463	2	4.9
4	HSBC Holdings	447	3	4.7
5	Sumitomo Mitsui Financial Group	404	2	4.2
6	Banque Saudi Fransi	386	2	4.1
7	KfW Bankengruppe	369	2	3.9
8	Mitsubishi UFJ Financial Group	360	1	3.8
9	Saudi British Bank	324	1	3.4
10	Australia & New Zealand Banking Group	289	1	3.0
10	Mizuho Financial Group	289	1	3.0

Sukuk Volume by Currency US$ (billion) *12 Months*

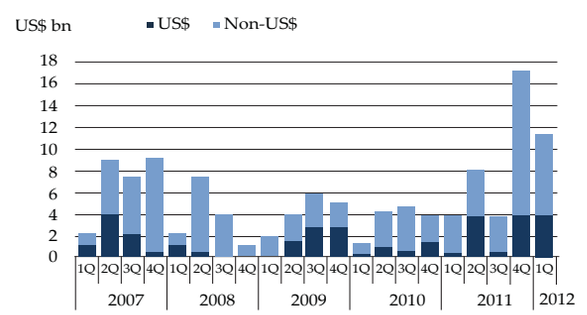


Sukuk Volume by Issuer Nation US$ (billion) *12 Months*

Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



Top Islamic Finance Related Project Financing Legal Advisors Ranking *12 Months*

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	4,198	2	23.9
2	Skadden Arps Slate Meagher & Flom	3,281	1	18.7
2	White & Case	3,281	1	18.7
4	Al-Jadaan & Partners Law Firm	1,200	1	6.8
4	Baker & McKenzie	1,200	1	6.8
4	Clifford Chance	1,200	1	6.8
7	Baker Botts	917	1	5.2
7	Chadbourne & Parke	917	1	5.2
9	Afridi & Angell	267	1	1.5
9	Herbert Smith Gleiss Lutz Stibbe	267	1	1.5
9	Latham & Watkins	267	1	1.5

Top Islamic Finance Related Loans Mandated Lead Arrangers Ranking *12 Months*

	Mandated Lead Arranger	US$ (mln)	No	%
1	Samba Capital	1,156	5	10.8
2	Saudi British Bank	1,054	4	9.9
3	Banque Saudi Fransi	904	3	8.5
4	Al-Rajhi Banking & Investment	753	3	7.1
5	HSBC	554	5	5.2
6	Saudi National Commercial Bank	459	2	4.3
7	Saudi Hollandi Bank	444	1	4.2
7	Riyad Bank	444	1	4.2
9	Deutsche Bank	321	4	3.0
10	Citigroup	316	8	3.0
11	Barwa Bank	266	2	2.5
12	Maybank Investment Bank	264	2	2.5
13	Noor Islamic Bank	236	2	2.2
14	RBS	233	1	2.2
15	Arab National Bank	219	1	2.1
16	Abu Dhabi Islamic Bank	219	5	2.1
17	CIMB Group	216	2	2.0
18	Qatar Islamic Bank	213	1	2.0
18	Qatar International Islamic Bank	213	1	2.0
18	Masraf Al Rayan	213	1	2.0
21	Standard Chartered Bank	199	4	1.9
22	RHB Capital	164	1	1.5
22	Lembaga Tabung Haji	164	1	1.5
22	AmInvestment Bank	164	1	1.5
25	Emirates NBD	160	3	1.5
26	Bank of America Merrill Lynch	126	3	1.2
27	Arab Banking Corporation	111	3	1.0
28	Bank of China	93	1	0.9
29	Al Hilal Bank	70	2	0.7
30	Bank Al-Jazira	68	1	0.6
30	Alinma Bank	68	1	0.6

Top Islamic Finance Related Loans Mandated Lead Arrangers *12 Months*

	Bookrunner	US$ (mln)	No	%
1	Citigroup	309	6	2.9
2	HSBC	305	2	2.9
3	Abu Dhabi Islamic Bank	267	5	2.5
4	Samba Capital	233	1	2.2
4	RBS	233	1	2.2
6	Standard Chartered Bank	165	3	1.6
7	Emirates NBD	122	2	1.1
8	Maybank Investment Bank	100	1	0.9
9	Bank of China	93	1	0.9
10	National Bank of Kuwait	87	1	0.8

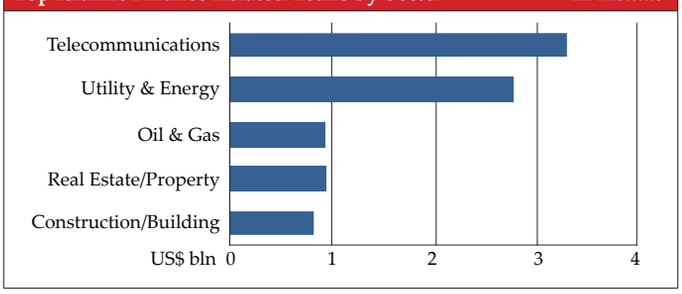
Top Islamic Finance Related Loans Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
13th Dec 2011	Barzan Gas	Qatar	5,442
12th Feb 2012	Mobily	Saudi Arabia	2,667
2nd Dec 2011	Hajr for Electricity Production	Saudi Arabia	1,981
14th Feb 2012	Power & Water Utility Co for Jubail & Yabbu	Saudi Arabia	1,200
15th Oct 2011	Maaden Bauxite & Alumina	Saudi Arabia	929
15th Sep 2011	Dubai Ports World	UAE	850
18th Jul 2011	Pembinaan BLT	Malaysia	822
23rd Jun 2011	Salik One Spc	UAE	800
17th May 2011	Emaar Properties	UAE	699
27th Feb 2012	Government of Dubai	UAE	675

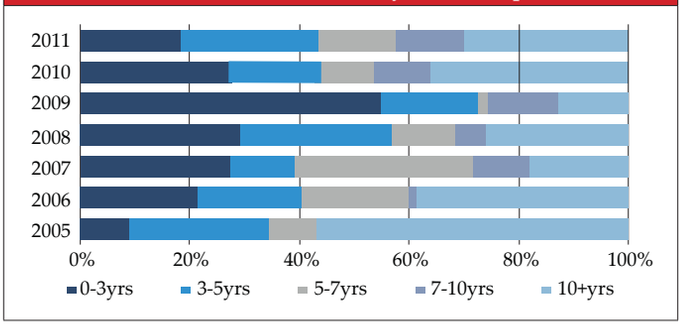
Top Islamic Finance Related Loans by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,377	5	50.4
2	UAE	2,048	8	19.2
3	Malaysia	926	2	8.7
4	Qatar	850	1	8.0
5	Indonesia	601	4	5.6
6	Turkey	384	3	3.6
7	Pakistan	203	4	1.9
8	China	93	1	0.9
9	Kuwait	87	1	0.8
10	Russian Federation	60	1	0.6

Top Islamic Finance Related Loans by Sector *12 Months*



Global Islamic Loans - Years to Maturity (YTD Comparison)



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Jennifer Cheung (Media Relations)
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EVENTS DIARY

8th May 2012
IFN Roadshow Australia
Sydney *(REDmoney events)*

9th — 10th May 2012
The 7th Asia Takaful Conference
Singapore (*Asia Insurance Review*)

15th — 17th May 2012
The 9th Islamic Financial Services Board Summit
Istanbul (*IFSB*)

17th — 18th May 2012
KAZANSUMMIT 2012
Kazan, Russia (*Linova-Media*)

21st — 22nd May 2012
The 8th Annual World Islamic Funds and Financial Markets Conference
Bahrain (*MEGA Events*)

29th — 30th May 2012
The 8th Annual Middle East Project Finance Forum
Dubai (*Fleming Gulf*)

30th May 2012
IFN Roadshow Hong Kong
Hong Kong *(REDmoney events)*

5th — 6th June 2012
The 3rd Annual World Islamic Banking Conference: Asia Summit
Singapore (*MEGA Events*)

6th — 7th June 2012
2012 London Sukuk Summit
London (*ICG-Events*)

10th — 12th June 2012
The International Takaful Summit
London *(Afkar Consulting)*

11th June 2012
IFN Roadshow Thailand
Bangkok *(REDmoney events)*

11th – 12th June 2012
The 3rd Annual World Takaful Conference: Family Takaful Summit
Kuala Lumpur (*MEGA Events*)

13th — 14th June 2012
The 1st International Forum for Islamic Banks and Financial Institutions
Amman, Jordan (*Strategy for Business Development & CIBAFI*)

21st June 2012
IFN Roadshow Japan
Tokyo *(REDmoney events)*

29th June — 1st July 2012
International Conference of Islamic Economics and Business
Melaka, Malaysia (*UiTM (Johor) & Universitas Indonesia*)

10th — 11th July 2012
The 3rd Annual Asia Islamic Banking Conference, Kuala Lumpur (*Fleming Gulf*)

10th — 12th July 2012
The International Takaful Summit
London (*Afkar Consulting Ltd*)

1st – 2nd October 2012
IFN Asia Forum 2012
Kuala Lumpur *(REDmoney events)*

10th – 11th October 2012
The 2nd Annual International Summit on Islamic Corporate Finance
Abu Dhabi (*MEGA Events*)

30th – 31st October 2012
IFN Europe Forum 2012
London, UK *(REDmoney events)*

12th – 13th November 2012
IFN Saudi Arabia Forum
Riyadh *(REDmoney events)*

20th — 21st November 2012
International Islamic Accounting and Finance Conference 2012
Kuala Lumpur (*Accounting Research Institute)*

26th November 2012
IFN Roadshow Brunei
Brunei *(REDmoney events)*

3rd December 2012
IFN Roadshow Egypt
Cairo *(REDmoney events)*

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