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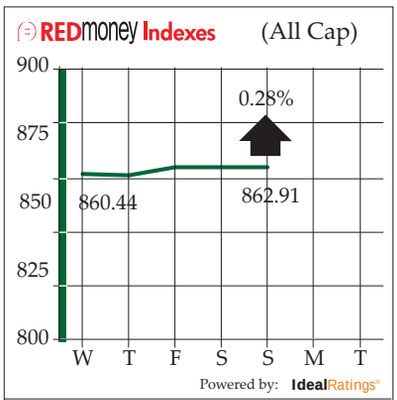

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The third pillar: Good news for Islamic finance?

With the introduction of the new Private Retirement Scheme (PRS) in July 2012, Malaysia takes one step closer to its 2020 development goals. The recent government reforms have added a long-awaited voluntary private pillar to the pensions industry, which will offer contributors the option of choosing where their funds are invested. With high hopes that this will see an influx of investment into the Islamic space, we take a look at the new scheme and analyze exactly what results it might bring.

Pillar by pillar

As it stands, the Malaysian retirement scheme currently has only two pillars: the government pension scheme (KWAP) and the mandatory contributions towards the Employees Provident Fund (EPF). However, in an interview with Islamic Finance *news* Ahmad Zakie Haji Ahmad Shariff, CEO of the Federation of Investment Managers Malaysia and a board member of the Private Pension Administrator, the overseeing body of the PRS, explained that: "There are two million working Malaysian adults that are not covered because they are self-employed, and the PRS is designed to move into that section and get those people involved."

In addition, EPF savings can be inadequate for long-term retirement needs. In 2011 the EPF annual report stated that the average EPF balance for active members aged 54 was RM166,000 (US$53,118) for men and RM118,000 (US$37,757) for women. However, according to a 2012 report by Actuarial Partners, over 70% of retiring members have a balance of less than RM50,000 (US$15,999). The report also shows that an average member drawing down 100% of their last-drawn salary could expect to see their EPF pot drained in eight years, while a member drawing down 50% could expect their money to run out by age 75. In Malaysia, 66% of males and 80% of females statistically live past 75, meaning that over 50% of retirees are currently expected to outlive their pension savings.

Syed Hamadah Othman, a partner and the head of the retirement business at Actuarial Partners, noted in the report that: "If the objective is to provide comfortable means in retirement to maintain the pre-retirement standard of living then it appears that the level of EPF savings for retirement is inadequate at all income levels." It is vital therefore, that: "Sources of pension income should also come from other pillars: notably, from pillar one… and pillar three which is underdeveloped."

Greater control

The new PRS, to be launched in September, is therefore a much-needed addition to the Malaysian pension landscape. But what

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Lending a hand

Editor's Note

In light of the overall weak credit markets, pundits have highlighted the role of Shariah compliant leasing in lending a hand to companies in sustaining their business, especially amid this period of slower economic growth. This week, Islamic Finance *news* draws attention to the significance of the Islamic leasing market, with a feature by Graeme Laing of the Bank of London and The Middle East on how the product can spur economic growth in the UK by meeting demand for funding from small and medium-sized enterprises

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DEALS

Indonesia receives US$203.63 million-worth of bids at periodic Sukuk auction

Saudi Binladin Group completes US$266.64 million short-term Sukuk offering

Bahrain issues five-year, US$424.38 million Sukuk

Bank of London and The Middle East provides property development financing

Qatar Gas Transport Company receives US$380 million Murabahah financing facility

Indonesia plans sale of yen- and US dollar-denominated Sukuk by the end of 2012

SME Bank sells US$160.24 million-worth of Sukuk

IDB to provide financing for power plant project in Tunisia

Putrajaya Holdings sets up US$962.62 million Sukuk Musharakah program

Celcom Transmission (Malaysia) eyes Sukuk issuance by the end of the month

NEWS

Al Baraka Bank (Egypt) outlines aggressive growth plans

Azerbaijan seeks assistance from the **IDB** for rollout of Islamic banking

JP Morgan Asset Management liquidates Catholic end faith-based investing put to the test

Pos Malaysia to open more Islamic pawn broking branches by the end of 2012

Bank Indonesia to set new regulations for Islamic financing

International Bank of Azerbaijan seeks agreement with Islamic financial institutions to secure funds

Sudan courts Malaysian investments for Islamic finance sector

IDB Group to implement **Misys** financial application software

IDB Group's financing to energy sector exceeds 25% of total funds channelled since inception

Abu Dhabi Islamic Bank announces yearly waiver on financing installments

Islamic investors capitalize on upswing in UK student housing market

Ajman Bank reports 250% year-on-year surge in first half net profit

Abu Dhabi Islamic Bank launches banking platform for non-profit entities

Kuwait Finance House reports decline in first half profits

Gulf Finance House announces profitable second quarter

Al Baraka Banking Group announces 10% year-on-year growth in net income for the first half

Jordan Islamic Bank reports higher profits in the first half of 2012

Dana Gas seeks equitable solution for stakeholders for US$1 billion Sukuk repayment

ISLAMIC INVESTOR

Sterling UK Real Estate Fund to distribute higher-than-expected annualized return of 7%

Aberdeen Asset Management (Malaysia) awaiting approval to launch two Shariah compliant funds

Crescent Wealth reports July returns for funds

Al Baraka Bank Egypt to launch Shariah compliant fund by the end of 2012

TAKAFUL

Abu Dhabi National Takaful reports US$3.2 million in first half net profit

Syarikat Takaful Malaysia returns US$112,972 in unclaimed rebates

Oman National Investment Corporation in advanced stage of evaluating investment in Takaful

Syarikat Takaful Malaysia reports robust second quarter results

RATINGS

Fitch affirms ratings on **SABB**

MARC assigns final rating on **Kimanis Power**'s US$373.36 million Sukuk program

IIRA assigns ratings to **ABC Islamic Bank**

RAM lowers ratings on **MRCB Southern Link**'s dual Sukuk program

MARC assigns preliminary rating for **Putrajaya Holdings**' proposed Sukuk program

MOVES

Allianz Egypt appoints **Ayman Hegazy** as new chief financial officer

Dr Natalie Schoon joins **Noriba Investing**'s board of advisors

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Chart 1

	Growth Fund	Moderate Fund	Conservative Fund
Age group	**Below 40 years of age**	**40 - 50 years of age**	**Above 50 years of age**
Parameters	**Maximum 70% equities** Investment outside Malaysia is permitted	**Maximum 60% equities** Investment outside Malaysia is permitted	**80% in debentures/fixed income instruments of which 20% must be in money market instruments and a maximum of 20% in equity** Investment outside Malaysia is NOT permitted

Source: Securities Commission Malaysia

impact will it actually have? Abdul Jalil, CEO of Aberdeen Islamic Asset Management, commented to Islamic Finance *news* that: "Essentially what the PRS is supposed to do is act as a second pension fund, to take the burden away from the likes of EPF." The government has assured the industry that the scheme will not replace but enhance and add to the current EPF provisions, enabling contributors to build a bigger pot and to have more control over where their money is invested.

Ahmad Zakie agrees, noting that: "It will not take anything away from the EPF fund. During the establishment of the PRS the EPF was very actively involved — they gave us input, and they made sure that we moved in on the right footing; so this is very much a complementary rather than a competing scheme."

However, the PRS does offer a distinct advantage over EPF. At the moment the EPF offers only partial control, with a maximum 20% of savings allowed to be placed in a single mutual fund. In comparison, PRS contributors can choose where their money is allocated, depending on the available investments offered by the eight initial intermediary providers: AmInvestment Management, American International Assurance, CIMB-Principal Asset Management, Hwang Investment Management, ING Funds, Manulife Unit Trust, Public Mutual and RHB Investment Management.

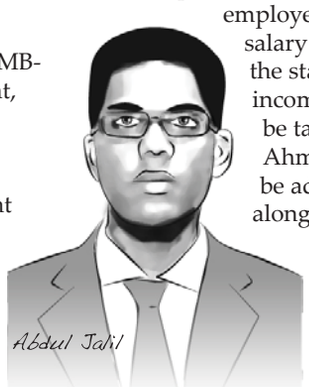
The details

The scheme is set to launch in September with a total starting set of 30 products, and is open to all Malaysians, foreigners and employers contributing on behalf of employees. Each provider will offer a range of funds which must include a minimum of three core default investor profiles including a growth, moderate and conservative option, into which contributors will be placed based on age (see Chart 1) if they do not specify a fund option.

A maximum of seven products can be offered by a single provider, although this increases to 10 if the provider plans to offer both Shariah compliant and conventional options. Speaking to Islamic Finance *news* John Campbell Tupling, CEO of CIMB-Principal, one of the eight providers, confirmed that: "Currently we have six authorized core funds, three of which are Islamic. They are the CIMB Islamic Conservative Retirement Fund, the CIMB Islamic Moderate Retirement Fund, and the CIMB Islamic Growth Retirement Fund."

Government support

In the 2012 budget the government announced measures to incentivize investment in the scheme including tax breaks of up to RM3,000 (US$960.21) per individual, and tax deductions for employers of up to 19% of employee salary for contributions above the statutory rate. In addition, income from the PRS funds will be tax exempt, and according to Ahmad Zakie: "There will also be additional incentives as we go along."



Najib Abdul Razak, the Malaysian prime minister,

continued...

CLOSING BELL

National Industries Group to repay Sukuk

KUWAIT: National Industries Group has announced in a statement that it will repay its US$475 million Sukuk at maturity on the 16th August 2012, after raising sufficient funds to meet its obligations.

The firm initially requested an extension on the repayment to 2016.

VCBank announces robust results

BAHRAIN: Venture Capital Bank (VCBank) announced a net profit of US$13 million for the period ended the 30th June 2012, against a loss of US$7.5 million a year earlier.

Total income surged to US$20.7 million from US$4.8 million in the previous corresponding period.

Leaning on its strengths

MALAYSIA: MARC has confirmed its rating on CIMB Islamic Bank's RM2 billion (US$640.31 million) junior Sukuk program at 'AA+IS', with a stable outlook.

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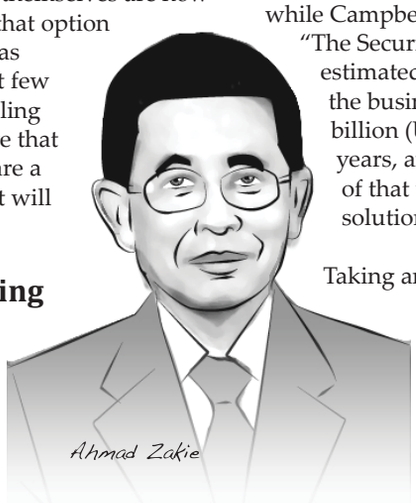
has also encouraged employers to get on board: "I would urge employers to consider using the PRS to offer a more attractive remuneration package in the form of higher contributions to their workers' retirement benefits, whilst giving their workers freedom to decide on the type of scheme they wish to participate in," he said at the launch of the proposal in July.

Islamic impact

But of course the real question for us is how the scheme might affect Islamic investment. While the 20% restriction under EPF limits investment choice, the new private scheme offers contributors the freedom of the available investment universe (although of course, without guaranteed returns) and it is expected that this will significantly boost investment flow into Islamic funds, with a significant proportion of Muslim Malaysians preferring Shariah compliant instruments. However, the initial offering of 30 products only includes six Islamic funds, suggesting that in actual fact opportunity may, at least at the start, be limited.

However, there are high hopes that the scheme will eventually bring considerable benefits to the industry; with not only strong government support but keen interest from the providers themselves. Ahmad Zakie believes that: "The PRS will contribute to the growth of Islamic products, and we can hope to see increased inflows to Islamic funds." Jalil agrees, suggesting that: "If the concept takes off it could potentially see quite large inflows of money into Shariah funds. And it is not just driven from the top. I think providers themselves are now more willing to offer that option to people because it has built well over the last few years." Campbell Tupling notes that: "We believe that given a choice, there are a number of people that will opt for Islamic PRS."



Number crunching

According to the Securities Commission Malaysia (SC), Malaysia's fund management industry as at the 31st March had 82 companies managing RM435.36 billion (US$138.38 billion) in assets, which it states: "Include but are not limited to, unit trust funds, corporate bodies, Employee Provident Fund (EPF), private pension funds and charitable bodies." In the retail universe, Islamic investment is a relatively small proportion of the overall figure.

> ***"It's a new asset class and I think there will be a lot of education that needs to be done to get people to understand it"***

As of the 30th June 2012, unit trust funds in Malaysia held assets of RM10.63 billion (US$3.04 billion) with a net asset value of RM277.83 billion (US$88.95 billion) of which Islamic funds accounted for just 11.3% or RM31.37 billion (US$10.04 billion). In comparison Islamic funds make up a much greater 30.2% of the wholesale fund universe, with RM9.95 billion (US$3.18 billion) out of RM32.94 billion (US$10.54 billion).

The government's economic transformation program predicts that the new scheme will boost private pension investment in Malaysia by around RM73 billion (US$23.37 billion) by 2020, while Campbell Tupling notes that: "The Securities Commission has estimated the potential size of the business to be worth RM30 billion (US$9.62 billion) in 10 years, and a meaningful portion of that will be in Islamic PRS solutions".

Taking an average of these two estimates, if we assume inflows of around RM51.95 billion (US$16.63 billion) then based on 2012 SC figures this would boost total total retail funds to RM329.78 billion (US$105.65 billion) and assuming a consistent 11.3% share, this would mean Islamic funds growing to around RM37.26 billion (US$11.93 billion), an increase of RM5.89 billion (US$1.88 billion).

However, this does not take into account the increased interest that we may expect to see in Shariah compliant investments as contributors take advantage of the greater choice available to them, meaning that in fact as the scheme develops we could see a greater proportion of investment inflows directed towards Islamic funds. In addition, if major Malaysian companies such as Petronas decide to get involved in employee contributions this would see a further boost to the PRS fund universe.

Building up steam

However, it may take some time to get there. Ahmad Zakie explains that: "It's a new asset class and I think there will be a lot of education that needs to be done to get people to understand it, so I think it will have a relatively slow take-off. But once it reaches its prime, and we think it should be there in about two and a half years, we will see the full impact." Campbell Tupling confirms this: "Initially significant educational efforts will need to be made to familiarize the public with PRS in general, but over the long-term we believe the business will be substantial."

However, Jalil also suggests that at least in the beginning, the main providers will be limited to the big local firms with a large Malaysian client base to support them, with smaller firms steering clear until they see how the land lies. Explaining why he does not anticipate Aberdeen Islamic Asset Management entering the PRS in the short-term, he notes: "Never say never, but we need to be realistic because we do not have a large sales agency force running around selling to the people. The scheme would require a large amount of resources to make it work."

Global guidance

A number of other countries have succeeded in building thriving private

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pension schemes, and although the PRS is not based on a particular country but designed specifically for Malaysian needs, it is obvious that the scheme has been influenced by some of these models.

> ***"The idea of putting the PRS in is effectively to double the stock market capitalization"***

The Australian superannuation system, for example, is widely cited as one of the most successful pension schemes in existence: with 468,133 superannuation funds (as of March 2012) managing AU$1.37 trillion (US$1.44 trillion) in total assets; contributing to the fourth-largest pool of funds in the world. It is the principal source of income for 17% of Australian retirees over 45, and in 2011 saw one-year fund returns of 8.7% (4.9% in real returns vs the CPI).

Chile is also well-known for it successful private pension scheme, which the UK-based Institute of Economic Affairs calls "one of the world's purest examples of a savings-based pension system" and whose recent performance shows that "these systems can weather a major crisis remarkably well". The system allows contributors to choose between five types of savings funds, from A (the most risky, with up to 80% in equities) to E (the most conservative, invested entirely in fixed interest bonds).

Between 2002-09, the system delivered returns of between 4% (Fund E) to 9% (Fund A), demonstrating that over the long-term, private pension schemes can deliver consistent performance comparable to public schemes. To compare, since 2005 the EPF has delivered returns of between 5-6% (with a dip of 4.5% in 2008 and a high of 6% in 2011), although it is legally only obliged to provide dividends of 2.5%.

Setting the standard

It is clear that with its ambitious objectives for the scheme and the specific Islamic incentives, Malaysia is hoping that its new PRS will become a global benchmark for Islamic countries to develop their private pension pillars. Jalil points out that: "Although private retirement schemes do exist in other parts of the world… obviously none of these countries have explicitly encouraged Shariah compliant funds. So in Malaysia there is obviously a will from the top to have a part of this invested into Islamic funds."

As it sets a benchmark for Islamic capital markets, regulation and corporate governance, so too can Malaysia perhaps now look forward to setting a global standard in Islamic pension provision that will encourage other countries to follow suit. Only time will tell how the PRS will truly perform, but there is no doubt that the government expects a lot from the scheme.

Ahmad Zakie concludes that: "It's too early to tell the exact impact on the market, but if you look at our capital market masterplan, the idea of putting the PRS in is effectively to double the stock market capitalization from RM20 trillion (US$6.41 trillion) to RM40 trillion (US$12.81 trillion) by 2020." High hopes indeed. — *LM*

Lending a hand

Editor's Note

In light of the overall weak credit markets, pundits have highlighted the role of Shariah compliant leasing in lending a hand to companies in sustaining their business, especially amid this period of slower economic growth.

This week, Islamic Finance *news* draws attention to the significance of the Islamic leasing market, with a feature by Graeme Laing of the Bank of London and The Middle East on how the product can spur economic growth in the UK by meeting demand for funding from small and medium-sized enterprises.

The impact of Islamic leasing reaches far and wide, as highlighted in an article by Professor Dr Shahinaz Rashad Abdellatif of the Egyptian Leasing Association, who writes on developments of the market in Egypt; while Paul Jarvis of legal firm SNR Denton looks at the legal requirements related to cross-border leasing transactions.

We also have a special report on developments in Yemen by Dr Moneer Hasan Saif of CAC Islamic Banking.

Our cover story takes a closer look at the prospects for Malaysia's new private retirement scheme and its potential impact on the Islamic fund management industry; while our IFN Reports cover Emirates NBD Asset Management's closure of its Islamic Alternative Strategies Fund, the latest developments at Sabana Shari'ah Real Estate Investment Trust and the relevance of standard-setting bodies in today's industry.

Meanwhile, our IFN Correspondents write on developments in Kuwait and Qatar; and Meet the Head talks to Moayyad Tahtamouni, the chief of the listing division at the listing and operations department of the Amman Stock Exchange in Jordan.

Our Case Study highlights First Resources' US$192.47 million Sukuk Musharakah.

In conjunction with Eid, we at IFN would also like to take this opportunity to wish you Eid Mubarak.

DEALS

Target exceeded

INDONESIA: The finance ministry has announced that it received IDR1.93 trillion (US$203.63 million)-worth of bids at a periodic Sukuk auction on the 7th August 2012.

It sold IDR540 billion (US$56.86 million)-worth of six-year and 25-year papers in sales, amounting to IDR40 billion (US$4.22 million) and IDR500 billion (US$52.65 million) respectively. The funds raised also exceeded its IDR500 billion indicative target for total sales.

The six-year project-based Sukuk carried a weighted average yield of 5.66%, while the weighted average yield for the 25-year papers came in at 6.72%, said the ministry in a statement.

Short-term Sukuk from SBG

SAUDI ARABIA: Saudi Binladin Group (SBG), via its vehicle SBG Sukuk, issued its third short-term Sukuk Murabahah in a SAR1 billion (US$266.64 million) sale on the 31st July 2012.

The papers are guaranteed by SBG. HSBC Saudi Arabia arranged the transaction, while Clifford Chance and its Saudi partner, Al-Jadaan & Partners Law Firm, advised HSBC.

Bahrain issues Sukuk

BAHRAIN: The government has issued a five-year, BHD160 million (US$424.38 million) Sukuk with a profit rate of 4.3%.

The Sukuk, issued via the Central Bank of Bahrain, is listed on the Bahrain Bourse and is payable twice-yearly.

BLME finances properties

UK: Bank of London and The Middle East (BLME) has provided a GBP16 million (US$25 million) financing facility for Audley, a provider and manager of retirement homes, to fund a healthcare development project in the city of Birmingham.

It also provided refinancing of just under GBP8 million (US$12.5 million) to Retirement Security, another retirement home provider; GBP13 million (US$20.37 million) to Aitch Group for a residential development in Shoreditch, an area in London; GBP11.5 million (US$18.02 million) for Latchmere Properties' residential development in the county of Surrey; GBP5.75 million (US$9.01 million) to Lagan Homes for a development in the county of Bedfordshire; and GBP3.5 million (US$5.49 million) for a project by Acorn Development located in the seaside town of St Ives in Cornwall.

The bank's UK property portfolio is now valued at over GBP200 million (US$313.51 million).

Murabahah deal for Nakilat

QATAR: Qatar Gas Transport Company (Nakilat) has secured a US$380 million Murabahah financing facility from Qatar Islamic Bank (QIB) and Qatar International Islamic Bank (QIIB).

QIB, which announced the transaction, said that its share of the financing amounted to US$180 million, with QIIB providing the remainder.

Landmark Sukuk from Indonesia?

INDONESIA: The government could be set to transact a landmark deal by the end of this year as it reportedly looks to sell US$750 million-worth of yen-denominated Sukuk in October.

The plan is part of a wider program that also includes the sale of US$1 billion-worth of US dollar-denominated Sukuk as the government seeks to fund its budget deficit, according to a report by the Jakarta Globe.

Robert Pakpahan, the acting head of the finance ministry's debt management office, is quoted as saying that the amount of Sukuk to be sold and the timing of a sale has yet to be decided, with government officials to meet foreign investors to assess demand for the planned issuances.

SME Bank sells Sukuk

MALAYSIA: SME Bank has sold two RM250 million (US$80.08 million) Sukuk, with maturities of seven and 10 years, at 3.6% and 3.69%, respectively.

In a statement, it said that the offering was oversubscribed 5.9 times. The sale is pursuant to its RM3 billion (US$96.11 million) Islamic medium-term notes program.

AmInvestment Bank, Kuwait Finance House (Malaysia) and Maybank

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Celcom Transmission (Malaysia) eyes Sukuk issuance by the end of the month

MALAYSIA: Islamic Finance *news* has learnt that Celcom Transmission (Malaysia), a subsidiary of telecommunications firm Axiata Group, has notified investors of a RM5 billion (US$1.61 billion) Sukuk program.

A source close to the deal also confirmed an earlier report that CIMB, HSBC and Maybank Investment Bank are managing the transaction. An issuance is expected by the end of this month.

Proceeds from the sale will be used to refinance existing debt, with the issuance already assigned a preliminary 'AAA' rating from local rating agency MARC.

Celcom Transmission, which is a unit of Celcom Axiata, Axiata's Malaysian mobile telecommunications arm, is also no stranger to the Sukuk space. In 2010, it set up a landmark RM4.2 billion (US$1.35 billion) Sukuk Ijarah deal to part-finance its acquisition of Celcom's telecommunication network business.

News of the transaction follows Axiata's announcement in July of its new US$1.5 billion multi-currency Sukuk program. Islamic Finance *news* earlier reported that the firm has no immediate requirement to issue papers from the program, which it will only tap as necessary. The Sukuk will be backed by airtime vouchers.

OSK Research noted that: "The Sukuk program is in line with the group's longer-term capital management roadmap. We believe Axiata is pre-empting its future funding needs by locking in an attractive Islamic facility to position for potential mergers and acquisitions as well as address its overall capital expenditure needs.

"At the same time, the group would be able to expand the portfolio of investors who are able to appreciate the growth potential across its regional assets. We are of the view that the setting up of a unique trust asset sweetens the deal, allowing the group to further monetize its network of assets across the region."

Outside Malaysia, Axiata has controlling interests and strategic stakes in mobile operators in Bangladesh, Cambodia, India, Indonesia, Singapore, Sri Lanka and Thailand.

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Investment Bank were joint lead arrangers and joint lead managers for the transaction, while Kenanga Investment Bank, MIDF Amanah Investment bank and RHB Investment Bank co-managed the deal.

Power financing for Tunisia

TUNISIA: The IDB will extend up to TND300 million (US$185 million) in financing to the Sousse Power Generating Station, a power plant located in the southern city of Sousse.

The OPEC Fund for International Development will contribute TND75 million (US$46.25 million) for the project, while Saudi Fund for Development, a Saudi sovereign fund created specifically for investing in Tunisia, will extend another TND193 million (US$119.09 million).

Sukuk in the pipeline

MALAYSIA: Property developer Putrajaya Holdings has proposed a RM3 billion (US$962.62 million) Sukuk Musharakah program, the proceeds of which will be used to fund the construction of government buildings in the country's federal administrative center of Putrajaya.

DEAL TRACKER Full Deal Tracker on page xx

ISSUER	ISSUING CURRENCY	SIZE (US$)	DATE ANNOUNCED
Putrajaya Holdings	RM	962.22 million	13th August 2012
Indonesia sovereign	US$	1 billion	10th August 2012
Indonesia sovereign	US$	750 million	10th August 2012
Tanjung Bin Power	RM	1.44 million	7th August 2012
Kuala Lumpur Kepong Berhad	RM	320.74 million	1st August 2012

AFRICA

Al Baraka Egypt eyes strong growth

EGYPT: Al Baraka Bank Egypt has announced aggressive growth plans as it seeks to maintain growth momentum from the new era seen in the country, after adding EGP1.2 billion (US$197.63 million) in new financing to its portfolio of funded assets in the seven months to July 2012.

According to Ashraf Al-Ghamrawi, its vice-chairman and CEO, the bank is targeting to increase its financing portfolio by another EGP1 billion (US$164.62 million) by the end of this year. EGP300 million (US$49.41 million) of its new financing as at the end of July comprised retail financing.

The bank is also set to secure EGP200 million (US$32.94 million)-worth of funds from the World Bank and the Social Fund for Development, which will be used to part-finance its bid to strengthen its small and medium-sized financing business.

Al Baraka Egypt is anticipating a EGP2 billion (US$329.4 million) growth in deposits to EGP15 billion (US$2.47 billion) by the end of 2012. It reported a net income of EGP67.8 million (US$11.12 million) in the first half of 2012, 2.07% higher than a year earlier. Net income for the second quarter of the year amounted to EGP42 million (US$6.89 million).

ASIA

IDB support for Azerbaijan

AZERBAIJAN: The government is reportedly seeking technical assistance from the IDB to help with its rollout of Islamic banking in the country.

International Bank of Azerbaijan is spearheading the expansion of Islamic banking in the country, with Dar Al Sharia Legal & Financial Consultancy, Salans andPinsent Masons and KPMG hired to consult on amendments to its banking laws.

continued...

Faith-based investing put to the test

GLOBAL: JP Morgan Asset Management has liquidated its Global Catholic Ethical Balanced Fund as it failed to gather the momentum seen by Shariah compliant funds.

The firm said that its decision to liquidate the fund, which had hoped to mirror the success of Islamic funds, followed reduced prospects of attracting new investments.

This is despite the fund posting positive returns during its life cycle, returning 10.18% over a one-year period and 7.8% year-to-date. However, the Luxembourg-based fund only recorded net assets of EUR4.3 million (US$5.31 million) as at the end of May this year, compared to a target of US$30 million.

The fund's mandate was to provide long-term capital growth through investments in a portfolio of global equities and debt securities issued by the EU governments.

Relative to the growth of Islamic funds, JP Morgan's Catholic fund has indeed fallen short. In comparison CIMB-Principal Islamic Asset Management, seen as a global leader in the Islamic asset management space, recorded assets under management (AUM) equivalent to US$8.82 billion as at the 30th November last year, while NCB Capital's AlAhli Saudi Riyal Trade Fund, touted as the largest Shariah compliant fund in the world, holds US$4.4 billion in AUM through 26 mutual funds.

Nonetheless, with the Islamic asset management industry still seen as a nascent market within the wider Islamic finance space, JP Morgan's case should serve as a reminder to the industry not to rest on its laurels.

Postal pawn-broking goes nationwide

MALAYSIA: National postal firm Pos Malaysia will open eight branches for its Ar-Rahnu service in September this year, as it seeks to launch at least 50 Islamic pawn-broking branches by the end of the year, according to Khalid Abdol Rahman, its group CEO.

It currently has one Ar-Rahnu branch, located in the state of Terengganu, which has recorded turnover of over RM500,000 (US$161,010) a month.

New Islamic financing rules

INDONESIA: Bank Indonesia, the central bank, is set to introduce stricter legislations for Islamic down payments for home and vehicle financing, modeled after existing rules for conventional home and vehicle lending, said Halim Alamsyah, its deputy governor.

He added that the impending regulations form a precautionary measure against non-performing financing amid the uncertain economic environment.

EUROPE

Islamic financing for IBA

AZERBAIJAN: International Bank of Azerbaijan (IBA) is targeting to enter into an agreement with a group of Islamic financial institutions to explore opportunities for cooperation and to secure funding for its Islamic banking business.

The funding, which could start at US$20 million, will be used to provide credit to IBA's small and medium-sized business customers and for its leasing business under its Islamic banking division, according to a report by Trend News Agency.

GLOBAL

Eyeing Malaysian investment

GLOBAL: The Sudan government would welcome Malaysian investment in setting up Islamic banks in the country, according to Nadir Yousif Eltayeb, Sudan's ambassador to Malaysia. The move would help boost trade and investment opportunities between the two countries, he said.

Following this, Ahmad Husni Hanadzlah, the second finance minister of Malaysia, said that the government will need to gauge the level of interest from local banks in investing in Sudan's Islamic banking sector.

Misys for IDB

GLOBAL: The IDB Group has entered into an agreement with Misys to utilize the financial software provider's solutions at its treasury and investment departments.

Big support for energy

GLOBAL: Dr Ahmad Mohamed Ali Al Madani, the president of the IDB Group, said in a statement that the group's financing to the energy sector has surpassed 25% of the bank's total financing since it was launched 37 years ago.

He also noted that the group's energy sector financing includes funds channelled by other IDB Group institutions, such as the International Islamic Trade Financing Corporation (ITFC).

Its energy funding approved so far this year includes US$683 million-worth of financing for power generation projects in Iran, Morocco, Tajikistan, Tunisia and Uzbekistan.

MIDDLE EAST

Payments waived for Ramadan

UAE: Abu Dhabi Islamic Bank has announced its yearly waiver on financing installments in conjunction with the month of Ramadan, allowing customers to reschedule payments due in August to the following month.

continued...

Islamic investors capitalize on upswing in UK student housing market

UK: Investments in student accommodation in the country surged to almost GBP800 million (US$1.25 billion) in the first half of this year, in a boom that Shariah compliant investors have been quick to capitalize on.

According to research by CBRE, a global real estate services firm, investments in the sector during the period rose more than twofold from the first half of 2011, as the UK remains a hot favorite for higher education and amid a shortage of student housing in the country.

Islamic investors have scrambled to join the party, with Bahrain's Tadhamon Capital already making its third investment in UK student accommodation through a GBP45 million (US$45 million) acquisition of a student housing development in central London. Tadhamon partnered London-based Shariah compliant real estate investment firm Apache Capital Partners to complete the deal via a joint venture with UK real estate investment and development firm, McLaren Property.

The development, known as Paris Gardens, is set for completion in September 2013. The transaction is part of Tadhamon and Apache's social infrastructure investment platform which has gross assets under management of US$140 million.

The Paris Gardens deal was completed at a net initial yield of 6.4%; and will distribute average quarterly net cash yields of 7.3% per year, after paying out 6% during the development's first year of construction and 8% per year thereafter.

In a statement, Waleed Abdulla Rashdan, CEO of Tadhamon, noted that the strong performance of the firm's previously acquired UK assets, comprising the purchase of a special needs school in 2010 and a purchase of a 50% stake in housing at University Campus Suffolk in Ipswich, reinforces Tadhamon's belief in the sector and its resilience amid economic turmoil.

"Over the coming 12 months, we are committed to complete a number of relatively advanced transactions in our pipeline that will target to deliver secured distributions of 6-8% per annum to our investors," he said.

continued...

The waiver is applicable to retail customers with less than AED500,000 (US$136,093)-worth of credit facilities.

Strong growth for Ajman

UAE: Ajman Bank recorded a 250% year-on-year surge in net profit to AED11.7 million (US$3.19 million) in the first half of 2012, boosted by a double-digit growth in assets.

The bank's assets rose 10% to AED4.4 billion (US$1.2 billion) at the end of June from the end of December 2011.

It also reported a 38% year-on-year growth in net operating income to AED108 million (US$29.4 million) in the six months to June this year.

New platform from ADIB

UAE: Abu Dhabi Islamic Bank (ADIB) has launched a community banking service to serve non-profit organizations, philanthropy associations and charities.

The division will be led by Abdul Rahman Abdulla, the head of ADIB's strategic clients group and vice-chairman of ADIB Securities.

KFH's profits down

KUWAIT: Kuwait Finance House posted a 7.5% year-on-year decline in net profit to KWD42.1 million (US$149.05 million) for the first half of 2012, although revenue rose 3.7% to KWD394.4 million (US$1.4 billion).

Sameer Al-Nafisi, its chairman, said that its performance reflected the banking group's conservative approach amid its restructuring program.

Profits for GFH

BAHRAIN: Gulf Finance House (GFH) announced a net profit of US$4.7 million for the second quarter ended the 30th June 2012, against a net loss of US$11.2 million a year earlier.

Net profit for the first half amounted to US$5.7 million from US$700,000 in the previous corresponding period. This is despite a marginally lower total income of US$32.6 million against US$32.8 million a year earlier, as spending declined to US$32.1 million from US$26.8 million.

RATINGS

Strength and stability affirmed

SAUDI ARABIA: Fitch has affirmed SABB's long-term issuer default rating at 'A', with a stable outlook and its viability rating at 'a'.

The ratings reflect the bank's consistent profitability, secure liquidity and improving capitalization, as well as its strong franchise and the benefits of being 40%-owned by HSBC.

Final rating assigned

MALAYSIA: MARC has assigned a final rating of 'AA-IS' to Kimanis Power's RM1.16 billion (US$373.36 million) Sukuk program, with a stable outlook.

Ratings affirmed

BAHRAIN: IIRA has assigned a national scale long-term rating of 'A+' to ABC Islamic Bank, with a short-term rating of 'A-1'; and aninternational ratingof 'A-/A-2'.

Double downgrade

MALAYSIA: RAM has lowered the ratings on two of MRCB Southern Link's Sukuk.

MRCB Southern Link is a financing vehicle of Malaysian Resources Corporation (MRCB), a conglomerate whose business includes road, civil and infrastructure works.

Ratings on MRCB Southern Link's RM845 million (US$271.88 million) secured senior Sukuk (2008/2025) were lowered from 'A2' to 'A3', while its RM199 million (US$64.93 million) junior Sukuk (2008/2027) was downgraded to 'BBB2' from 'A2'. Both ratings remain on negative watch.

RAM cited MRCB's inability to come up with a strong, long-term solution on the commencement of tolling at its Eastern Dispersal Link Expressway, located in the state of Johor.

Bright rating for proposed Sukuk

MALAYSIA: MARC has assigned a preliminary rating of 'AAA' to property developer Putrajaya Holdings' RM3 billion (US$962.62 million) proposed Sukuk Musharakah program.

Double digit growth at Al Baraka

BAHRAIN: Al Baraka Banking Group posted a 10% year-on-year growth in net income to US$121 million for the first half of 2012, as total operating income surged 17% to US$412 million.

Total assets amounted to US$17.6 billion, while its financing and investments portfolio stood at US$12.7 billion.

Higher profits for JIB

JORDAN: Jordan Islamic Bank (JIB) reported a net profit of JOD19 million (US$26.82 million) for the first half ended the 30th June 2012, against JOD13 million (US$18.35 million) in the same period of 2011.

Dana Gas still weighing options

UAE: Dana Gas, which owes a US$1 billion Sukuk due in October this year, has announced that it is committed to finding a consensual solution to repay the obligations that is fair to all its stakeholders.

It also said that it will announce further updates on new developments in its repayment plan.

Coming up...

Volume 9 Issue 33 — 22nd August 2012

Meet the Head
Zahid Hussain, group general manager and head of Islamic banking division, Banque Saudi Fransi

Features
Rating approach to Sukuk: A Marc perspective; By Hafizan Haron, vice-president of the Malaysian Rating Corporation (Marc).

Asset management in Saudi Arabia; By Naif Abdul Mohsen Al-Rasheed, head of asset management and CIO, Al-Khair Capital Saudi Arabia.

Risk management in Shariah compliant private equity; By Mohamed Kettani, director, Capital Management House, Bahrain.

MOVES

ALLIANZ EGYPT

EGYPT: Allianz Egypt has appointed **Ayman Hegazy** as its new chief financial officer, replacing **Anuj Agarwal**, who has been relocated to Allianz Indonesia.

Ayman's eight years of experience at Allianz includes a position as finance manager for Allianz Takaful in Bahrain.

NORIBA INVESTING

US: Shariah compliant investment firm Noriba Investing has announced the addition of **Dr Natalie Schoon** to its board of advisors.

Dr Schoon, who is the principal consultant at Formabb and an Islamic Finance *news* correspondent for the UK, was also previously the head of product research at the Bank of London and The Middle East.

A difficult decision

Dubai-based Emirates NBD Asset Management was placed in the spotlight recently when a report surfaced that it was closing its Islamic Alternatives Strategies Fund, following the departure of a major investor.

The report further stated that according to the asset management company's written explanation to the remaining investors, the fund could no longer be run in an efficient manner that would be in their best interest. The remaining investments from the closed fund will be reinvested into the Emirates Global Sukuk Fund.

Initially offered to institutional and retail investors on the 1st June 2007 under Emirates Islamic Bank, the open-ended fund, domiciled in Jersey, was re-launched in the third quarter last year to professional clients when it entered a joint-venture with UK-based alternative investment manager Man Group.

> ***"Fund closures are not uncommon, even in the Islamic space"***

Assets under management (AUM) of that fund, reportedly then at US$20.9 million, were allocated to the Man GLG Multi-Strategy Fund. Expectations were high as the Emirates NBD Asset Management was targeting the fund to reach above US$50 million within a year. Despite this, as at the 30th April the fund remained almost stagnant at US$20.61 million.

A closer look at the company's last published factsheet for the fund in April 2012 shows that the fund underperformed its benchmark (the HFRX Global Index) in its year-to-date(YTD), one month, three months, 12 months and even since the management of the underlying fund was transferred to Man GLG in full on the 31st October 2011.

Deon Vernooy, the senior executive officer of Emirates NBD Asset Management, declined to elaborate on the matter when he was approached by Islamic Finance *news* on the closure. "The closing of the fund is progressing through the regulatory process and we are unable to comment at the moment."

Asked about the financial year for the asset management arm of Emirates NBD, Vernooy said that while the company's performance has been "reasonable from a financial perspective" (Emirates NBD states that its financial performance is confidential and not disclosed in the public domain), several of its Islamic funds have "exceptionally" outperformed their benchmarks.

Among them are the Emirates Global Sukuk Fund, whose YTD returns were 7.45% as at the 6th August 2012, outperforming its benchmark by 5.6%. In addition, the Emirates Mena Opportunities Fund recorded a YTD return of 8.29% against its benchmark of -3.57%, and the Emirates Islamic Money Market Fund saw a 0.15% YTD outperformance against the 0.62% benchmark.

In November 2010, Emirates NBD launched its Singapore branch to expand its coverage to the Asia Pacific region. In line with this, Vernooy is of the view that the branch will also serve to enhance the standing of the asset management arm in the region and generate greater awareness of its funds. "We will continue to focus on institutional mandates for our core competencies," he confirmed.

However, he remained tight-lipped when asked about the company's expansion plans, saying only that it would "continue to focus on its core areas for Islamic product distribution in the Middle East and selected areas in Asia and Europe".

Fund closures are not uncommon, even in the Islamic space. At times, fund managers must face the difficult decision of closing a poorly performing fund with a small asset size, which is not only affecting the company's reputation but its balance sheet. Being one of the larger fund managers in the GCC in terms of AUM, this may not be so much of an issue for Emirates NBD Asset Management after all. — *RW*

Global Investment House discloses debt-for-equity exchange plan

Global Investment House has disclosed details of its debt-for-equity swap that could see the firm cede 70% of its ownership to creditors and write off KWD108.2 million (US$382.78 million)-worth of debt.

In a filing to the Dubai Financial Market, Global, which owes an estimated US$1.7 billion-worth of debt in conventional and Islamic facilities, announced that it will convene an extraordinary general meeting (EGM) on the 2nd September 2012 to approve its debt-for-equity proposal. Its shareholders will also meet on the same day for its annual general meeting (AGM).

In its EGM agenda, Global proposed the cancellation of 17.33 million shares worth KWD11.48 million (US$40.56 million), comprising shares from its paid-up capital account and KWD1.06 million (US$3.75 million) from its treasury shares reserve. It also proposed to transfer losses resulting from the cancellation of KWD8.69 million (US$30.76 million)-worth of treasury shares to its share premium account.

Additionally, Global seeks to write off KWD31.09 million (US$110.02 million)-worth of its accumulated losses against its remaining share premium and write off KWD77.12 million (US$272.47 million)-worth of losses against its paid-up capital.

The kicker however, is its proposal to issue KWD122.24 million (US$431.88 million)-worth of new shares to its creditors, raising its capital to KWD174.62 million (US$616.95 million) in a move that would give creditors 70% ownership in the firm.

"The subscription in the capital increase shall be made in full from the creditors' account and the company's existing shareholders waive their pre-emption right to subscribe in the capital increase in favour of a special purpose company (or more [companies]) established for the benefit of the financial creditors and to delegate the board of directors to set the requirements, rules and conditions for the calling of the capital increase," it said.

In addition, Global has asked its existing shareholders to approve the transfer of part of the firm's assets and investments to a special purpose vehicle set up for its creditors; provided that the current fair value of the assets and investments do not exceed the amount of its lower liabilities as a result of the transfer.

As at the 31st March 2012, the firm's total assets amounted to KWD550.26 million (US$1.26 billion).

Meanwhile, at its AGM, it will seek shareholder approval on a recommendation to withhold bonuses to its board of directors and to freeze dividend distributions for its 2011 financial year. It has also asked shareholders to discharge its board from liabilities relating to their financial and legal actions during that year. — *EB*

Keeping Singapore on the map with Sabana REIT

Singapore, long touted as the place to be when it comes to Asia's fund management market, is back in the spotlight with Sabana Real Estate Investment Management (Sabana) announcing the acquisition of an industrial building in the city state for SG$61 million (US$49.03 million) on the 9th August, which will be injected into its Sabana Shari'ah Compliant Real Estate Investment Trust (REIT).

The acquisition comprises a five-story building bought from local food packaging manufacturer Ban Teck Han Enterprise Company and located within the Serangoon North Industrial Estate, which houses a cluster of industrial facilities.

This acquisition will bring the total number of properties in the REIT's portfolio to 21 from 20, all of which are located in Singapore itself. Sabana expects to complete the acquisition in the fourth quarter of this year.

In a statement, Sabana said that the four-year-old property has a good sub-tenancy profile comprising multinational corporations.

"The transaction is expected to benefit unitholders by improving asset and tenant diversification to reduce the reliance of Sabana Shari'ah Compliant REIT's income stream on any single asset or lessee.

The transaction will also increase the weighted lease tenor of the REIT's portfolio and reduce the REIT's lease expiry concentration in 2013," it said. Its existing portfolio expires in approximately 39.7 years, while the new property has a balance land tenor of 44.2 years.

Sabana also said that it intends to fund the acquisition through debt.

Sabana Shari'ah Compliant REIT is currently accepted as the largest listed Shariah compliant REIT by asset value. The REIT raised SG$664.4 million (US$533.98 million) in gross proceeds during its initial public offering in November 2010.

It is interesting to note that given its success, Sabana has never ventured out of the Singapore market, despite the Singaporean government's strategic focus on its asset management industry with a myriad of measures introduced to help propagate the market. These include tax exemptions for fund managers and tax exemptions for Singapore resident funds.

As such, the REIT may be limited by its lack of geographic scope. In July this year, S&P rated it at 'BBB-' with a stable outlook, reflecting the trust's good quality and well-located industrial property assets, in addition to its stable cash flow and occupancy rate of 99%.

However it also noted that: "Sabana's limited geographic and tenant diversity and somewhat limited financial flexibility temper these strengths. The short record of the manager operating the REIT through a property cycle remains a credit weakness. We assess the REIT's business risk profile as 'satisfactory' and its financial risk profile as 'intermediate'." — *LR*

Setting the standard

As the Islamic Financial Services Board (IFSB) enters its 10th year this November, we take a look at the role of standard-setting bodies across the board and their impact in shaping the landscape of the Islamic financial services sector.

The issue of industry standardization, or a lack thereof, seems like an insolvable one - for now, at least. Standard-setting bodies such as AAOIFI, the International Islamic Financial Market (IIFM) and the IFSB have been relatively successful in achieving some semblance of standardization in pockets across the globe, but are still far from gaining the coveted title of Global Standard-Setting Body.

From a distance, it seems somewhat counterintuitive that the industry, which craves a streamlining of rules and regulations, has been rather blasé about the role of these standard-setting bodies, and the adoption of their standards. And although, in essence, these bodies have different core focuses — with AAOIFI specializing in accounting and auditing standards, IIFM looking at financial products and instruments, and the IFSB focusing on operations and corporate governance of Islamic financial institutions, none of them have become globally influential in their areas of expertise.

A lack of focus in most cases almost always derails one from one's goal, and this has become evident in the realm of standard-setting. It has been said that these standard-setting bodies currently suffer from some sort of identity crisis, or perhaps the desire to become a jack of all trades, instead of a master of one. AAOIFI, for instance, is meant to look into accounting and auditing standards, but over the years its role has overlapped with the IFSB in terms of governance. Up until now the IFSB, whose standards have been enforced in Malaysia and fully endorsed by the central bank, Bank Negara Malaysia, has only been successful in gaining a foothold in home ground.

Speaking to Islamic Finance *news*, Megat Hizaini Hassan, an Islamic finance partner at Allen & Gledhill, said that due to the nature of the standards being voluntary in terms of their adoption, there has not been much filtering through of the IFSB standards in particular, outside of Malaysia. "In Malaysia, there is extensive adoption of these standards for the main reason: Malaysia is the host. The IFSB is based in Bank Negara Malaysia itself, therefore there is a lot at stake for Malaysia in terms of the adoption of these standards. There is vested interest for the Malaysian government that the standards work and are implemented in the country."

> ***"At the moment, it is not possible for the IFSB standards to achieve the same momentum and command the same authority as Basel due to its less developed status"***

He added: "Globally there does not seem to be such rigorous adoption of these (IFSB) standards. No particular jurisdiction appears to have embraced the standards to the same extent as Malaysia; not even the other jurisdictions where the central banks are members of the IFSB."

At present, the IFSB has 27 full members comprising regulatory bodies, central banks and financial services authorities spanning most of the jurisdictions which are active in Islamic finance. These include: Bank Indonesia, the Central Bank of Bahrain, Autoriti Monetari Brunei Darussalam, Dubai Financial Services Authority, Monetary Authority of Singapore, Qatar Central Bank, Saudi Arabia Monetary Authority, State Bank of Pakistan, Securities and Exchange Organization of Iran, and the Islamic Development Bank, amongst others.

"Conceptually, the IFSB have got it right. They have done admirable work in this regard, but ultimately they would need to continue and work with Basel in developing, applying and modifying their standards to ensure Shariah compliance, and compliance with Basel," Megat said. However, he added that at the moment, it is not possible for the IFSB standards to achieve the same momentum and command the same authority as Basel due to its less developed status. "The IFSB is an emerging entity. It is slowly being recognized as a standard-setting body, but at the moment, it may not command the same authority as Basel. There are also other legal and regulatory considerations to be made. The IFSB has only been around for 10 years compared to Basel. Now it is more a question of everyone seeing the benefit and value of the IFSB, and ensuring that the standards are implemented.

"In Malaysia, the standards that IFSB has issued for Islamic banking and finance relate more to the operations of Islamic financial institutions, rather than being focused specifically on Islamic finance contracts themselves. Some of these standards have been applied by central banks, and the Shariah Governance Framework issued by Bank Negara Malaysia last year was also based largely on the IFSB guidelines. At the end of the day, there is only so much the IFSB can do, and it is up to the member countries to implement its guidelines. Apart from Malaysia, the standards do not seem to have filtered through into the Islamic banking and finance sectors in other jurisdictions," he added.

Based on Malaysia's experience, it is becoming more evident that there has to be enough political will, and sufficient intervention from regulators, to create the global adoption of a set of standards. Unfortunately, this would also involve the removal of free will, which at the end of the day, is what makes for a vibrant and dynamic market with room for innovation. — *NH*

Shariah compliant revolving credit

KUWAIT

By Alex Saleh, IFN Correspondent

Applying Islamic financing structures in the realm of retail consumer financing requires a non-conventional approach given that the assets are comprised of installment sale contracts/receivables, otherwise categorized as debt obligations. Under Shariah compliant tenets, the acquisition of such debt as an asset is prohibited; therefore, a non-conventional approach is necessary.

The acquisition of the assets requires a funding structure whereby the origination of the Assets, in some cases a special purpose vehicle (SPV) controlled by the retailer for bankruptcy remoteness purposes, transfers the assets to the investors, which is often represented by another SPV acting on behalf of such investors, in consideration for the investment capital.

Two issues arise in such a transfer: (i) ensuring Shariah compliance in light of the acquisition of debt; and (ii) exercising a commodities Murabahah agreement where the payment for the commodities is not through conventional installment payments, but rather with the assets.

With respect to the first issue, the warehousing SPV must hold a special arrangement with the originator of the retail product in order that the warehousing SPV holds real goods in the warehouse constituting at least one third of the financing portfolio. As a result, the sale of the portfolio will not be comprised solely of debt.

With respect to the second issue, the acquisition of the assets must be completed through a commodities Murabahah agreement in order to be Shariah compliant; however, with conventional arrangements, the entity wishing to borrow funds (the borrower), seeks to purchase certain commodities from the seller, through a broker, and pays for the same through installment payments. In our scenario, however, the borrower is considered the warehousing SPV and the seller is the SPV representing the investors. Therefore, the warehousing SPV will offer the assets in a simultaneous exchange for the commodities.

Ultimately, there are several other facets inherent in this convoluted arrangement, particularly in the event that such a portfolio of assets would be ramped up for Sukuk issuance.

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Olympic finance

QATAR

By Amjad Hussain, IFN Correspondent

This month, as with the rest of the world, Qatar's focus is on the London Olympics. Not only have the usual Gulf summer holidaymakers been causing a pre-Ramadan bonanza in London's high streets, this year there has been an influx of thousands of athletes and spectators. So, London has been abuzz with activity.

Qatar has played a role in causing a stir in the London. The grand opening of the Shard of Glass (the largest building in Europe), which is backed by Qatari investors, was seen as a symbol of how close London and Doha have become over the years. The Shard was funded by Qatari money which came from both conventional and Shariah compliant sources. It is seen an example of how the West and the Middle East can collaborate successfully.

In terms of the London Olympics, Qatar is heavily invested. Qatari money has paid towards the village used by the athletes and Qatar converted an engineering institute on the bank of the River Thames to a Qatari home to showcase local history and to act as its base. Although Qatar was unsuccessful in its bid to host the Olympics in 2020, it has announced its intention to bid for the following Olympics.

It therefore came as a huge boost to Qatar when Nasser Saleh Al-Attiyah won a bronze medal in the shooting. This was the first medal to be won by a Gulf country in the London Olympics. And, for Qatar, it is a huge step forward for the realization of its aspiration to stand out in sports and culture.

So, what does this mean for Islamic finance? Well if Qatar is going to continue to focus on sports and culture then it will need to continue to invest in its internal infrastructure; and this is only good news for those looking for growth markets. Also, such a focus is likely to have some bearing on the nature of foreign collaboration that Qatar will be looking for. Businesses that can help Qatar to achieve its ambitions, whether through experience, technology or reputation, will have a natural appeal.

There is therefore an opportunity for Islamic finance institutions to position themselves by focusing on the sports sector and seeing how they can become more relevant to Qatar's spending. Given the health and social benefits associated with sports, it should not be too hard to draw a link between Islamic finance and sports finance.

In other news, the listed Qatari Islamic banks have all posted growth in H1 profits. Qatar Islamic Bank reported a 5% growth in net profits to reach QAR736.9 million (US$202.4 million). Masraf Al Rayan posted net profit of QAR725.1 million (US$199.1 million) in comparison to QAR691.4 million (US$189.9 million) for the same period last year and Qatar International Islamic Bank's net profit grew to QAR340.1 million (US$93.4 million) from QAR322.3 million (US$88.5 million) for the same period last year.

Finally, the Qatar sovereign Sukuk became the largest US dollar-denominated Sukuk issuance to date at US$4 billion. There was a huge demand for this in the global market and the order book reached US$24 billion. On the back of this we expect further activity in the capital markets space.

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Challenges facing Yemen continue to thwart economic recovery

Yemen is still facing problems that deter its development progress. These include growing threats resulting from security instability due to rebellion movements such as Al-Qaeda, Southern Hirak and Al-Huthis; political reconciliation disputes; and growing poverty. MONEER SAIF looks at the current state of the country and discusses the issues which urgently need decisive solutions.

Death of Ahmed Hayel Saeed Anaam

Ahamed Hayel Saeed Anaam was one of the founders of Hayel Saeed Group. He was the elder son of Hayel Saeed and as the vice-chairman and leader of Hayel Saeed Group he helped to make a success of the firm. The group during his tenure established itself in outside markets and became the largest private employer in Yemen. During his tenure, Hayel Saeed broadened their successful business projects to reach as many countries worldwide as possible. He was a man of vision, a great decision-maker, a wise man and full of passion. Moreover, he was a good example for all people around him and he was broad-minded leader. He was very generous and helped others follow his father's deeds in charity donations. I believe it is a big loss for the country in general and for Hayel Saeed Group in particular to miss this great man but, since this group has an integrated institutional infrastructure, it will continue to make giant leaps towards more successful achievements in the future.

Visit of Mahathir Mohammed

Mahathir Mohammed paid a two-day visit to Yemen on the 7th June 2012, having been appointed as an adviser for Yemen government. Notably, Mahathir indicated that his visit was to talk to the government officials, especially the president and the prime minister, to come close to understanding the Yemen economy and be in touch with them to offer his advice to promote economic growth and development in the country. All Yemenis feel confidence that Mahathir will help to hasten the development of Yemen.

Security Status

Yemen is still suffering from a lot of significant issues including security stability, which is one of the most problematic areas the current government is facing. The president has instructed the army to eradicate the rest of Al-Qaeda. Finally, the army won the war against them in Abyan and cleansed the whole governorate. Al-Qaeda left Abyan after their defeat and have now started a new strategy that has resulted in bombing attacks on the capital, Sana'a.

Political status

President Hadi, despite these obstacles, released a decree to create the National Reconciliation Committee to coordinate all conflicting parties to participate in an event sponsored by the UN in November 2012. Meanwhile, the former president has threatened to withdraw his party's representatives from the government if a law of transition justice is released. Notably, the former president has made a coalition with Huthis Rebellions against the current government which creates a very serious obstacle to achieve a successful national reconciliation.

Economic status

In official reports, the inflation rate increased 19% last month indicating that the economy is still suffering structural problems that have resulted in growing poverty and requires more aid to help the country. The country as a whole is under an emergency situation and all efforts must be focused on food security and nutrition programs since many areas in Yemen are suffering from acute malnutrition and bad water sanitation systems. As it is so complicated, the Yemen economy is tied to the political reconciliation - if the latter happens it will affect the former. Therefore, both issues should go side by side to put forward some decisive solutions to the nation's situation.

Islamic finance Sukuk

Yemeni businessmen have identified Islamic finance as a sector that can be developed for both their own interests and for the country's advantage: to serve the banking needs of the domestic economy and as an avenue for economic development at an international level. According to some economists, the Central Bank of Yemen issued the second round of Sukuk for around YER50 billion (US$233 million), but they were issued for buying oil derivatives to cover the needs of the country. Some economists have indicated that the economy needs Islamic finance to be more effective to assist its economic recovery by investing in urgently-needed infrastructure issues such as energy, power and industry.

MSME projects

The country needs a more vital role for Islamic banks to help in economic growth. Since the quality of Islamic financial services is improving, and these services are not limited to particular clients, Islamic banks are starting to reach many customers and satisfy their needs especially in the field of small and medium enterprises (SMEs). Islamic SMEs in Yemen will surely play an important role in increasing competitiveness and providing employment opportunities to people because the labor market in Yemen is more rigid in creating employment opportunities; therefore, it can contribute effectively to attracting new jobs for many young people directed towards the invention of new products needed by the Yemeni market; and thus meet the daily requirements instead of importing labor from abroad.

The new president and new government must consider the discussed issues above to help the economy to recover and make significant progress. Security stability is the most important public responsibility. In addition, national reconciliation must include young people and other all parties without exclusion of anyone.

Regarding economic recovery, there must be strong partnership between the public and private sector based on mutual interest and protection for private sector interests. Islamic banks must increase their role in financing big projects that can promote economic growth in Yemen.

Dr. Moneer Hasan Saif is the executive director at CAC Islamic Banking. He can be contacted at saifmoneer@gmail.com.

First Resources' US$192.47 million Sukuk Musharakah

Singapore's First Resources, which manages oil palm plantations in Indonesia, issued its debut Sukuk offering with a RM600 million (US$192.47 million), Malaysian ringgit-denominated transaction on the 12th July 2012.

The sale is pursuant to the firm's RM2 billion (US$641.58 million) Sukuk Musharakah program. Proceeds from the issuance will be used to fund the expansion of First Resources' oil palm plantations.

> *"We expect the demand for regional quality corporate debt papers to continue to rise"*

The firm, which is listed on the Singapore Exchange, currently manages over 130,000 hectares of oil palm plantations and operates nine palm oil mills, a refinery, a fractionation plant and a biodiesel plant. Its inaugural Sukuk issuance makes it the first Singapore-listed company with Indonesia-based operations to issue Malaysian ringgit-denominated Sukuk in Malaysia.

Bookbuilding

The sale's orderbook closed a day earlier than expected, with the issuance oversubscribed by an average of 4.6 times, based on an initial issuance size of RM500 million (US$160.35 million).

"As a result of the high demand, the issue was upsized by RM100 million (US$32.07 million). Based on the upsized amount, the Sukuk was still oversubscribed by 3.8 times," said First Resources in a statement.

The Sukuk offers a profit rate of 4.45%.

Tapping Malaysia's Sukuk market

According to U Chen Hock, CEO of OSK Investment Bank, which jointly arranged and managed the transaction with RHB Investment Bank, the move by First Resources to tap into Malaysia's Sukuk market is testament to the breadth and depth of the country's debt capital market, which is supported by ample liquidity.

"It is also a reflection of the growing sophistication of our local investors and we expect the demand for regional quality corporate debt papers to continue to rise," he said.

Additionally, the papers, which were rated 'AA2' by RAM, are rated the highest in Malaysia among foreign companies whose operations are based in Indonesia.

Participating banks

Apart from OSK Investment Bank and RHB Investment Bank, the issuance also saw the involvement of DMG & Partners Securities and RHB Bank's Singapore branch, which acted as international distribution dealers for the papers. — *EB*

First Resources' RM2 billion (US$) Sukuk Musharakah program

RM600 million (US$192.47 million)

12th July 2012

Issuer	First Resources
Issuance amount	RM600 million (US$192.47 million)
Tenor	Five years
Coupon rate / return	4.45%
Currency	Malaysian ringgit
Maturity date	31st July 2017
Joint principal advisors, joint lead arrangers, joint lead managers and joint bookrunners	OSK Investment Bank and RHB Investment Bank
Legal advisor(s) / counsel	Adnan Sundra & Low
Rating	'AA2' by RAM
Listing	None
Shariah advisor(s)	Dr Mohd Daud Bakar
Structure / instrument	Musharakah

Islamic leasing: Supporting economic growth in the UK?

SME demand for leasing could be a source of significant growth for the Islamic finance sector in the UK. GRAEME LAING shares his views.

After a tough few years for the UK economy and its leasing industry, the slow process of recovery is beginning. Growth remains patchy across different sectors but the growing demand for Islamic leasing is a positive sign for both leasing and Islamic finance. According to the Finance Lease Association, new businesses were in excess of GBP5.5 billion (US$8.6 billion), meaning that in the three months to June 2012 new businesses grew by 6% when compared with the same period in 2011.

However, for many businesses the credit crunch remains a reality. The current economic situation continues to present significant challenges for both banks and clients. From a regulatory perspective, banks are required to strengthen their balance sheets and follow more conservative lending criteria. This is often at odds with the view of politicians and central banks who want banks to lend more to businesses in order to bolster the economic recovery.

Islamic banks versus conventional

Many Islamic banks are in the enviable position of already having strong balance sheets with good capital-asset ratios. This is in contrast to many of the conventional lenders who are working to meet Basel III requirements and are prioritizing balance sheet strength. These conventional and high street banks are becoming reluctant to lend or provide new lease finance facilities and often are hesitant in renewing or extending arrangements for their existing clients. In the non-retail market, small and medium-sized enterprises (SMEs) have been hit hardest by the lack of lending.

The importance of leasing for an economy cannot be underestimated as demonstrated by a statistic released by Oxford Economics. They predicted that if leasing had financed an additional GBP5 billion (US$7.8 billion) of business investments over the course of 2010, it would have potentially contributed to an additional GBP1.9 trillion (US$ 3.1 trillion) to the GDP and supported 37,960 new jobs in the UK.

In addition to lease finance's economic importance, it is a vital source of funding for SMEs when business loan criteria are being restricted. Leaseurope estimates that in 2011, 35% of SMEs in Europe used lease finance. Many of these businesses will actively be looking for alternative and competitive funding streams either due to expansion or their current financing being withdrawn.

> ***"Given the context of the economic crisis and its aftermath, companies are searching for alternative means to achieve the optimum balance of cost and service in their funding streams in what remains a tough economic and banking environment"***

SMEs: Powerhouse of the economy

SMEs are often referred to as the power house of the economy and the government is keen for banks to support them as a route to economic recovery. According to the Department for Business Innovation and Skills, at the start of 2011, SMEs accounted for almost 60% of employment and just under half the turnover in the UK private sector. The European Commission estimates there to be 23 million SMEs in the European Union, representing 99% of all businesses and providing around 90 million jobs within the single market.

The SMEs demand for leasing could be a source of significant growth for the Islamic finance sector, particularly in the UK. At the Bank of London and The Middle East (BLME) we continue to see high demand from large corporations and listed companies. However, a material portion of our current and new business is from SMEs.

Benefits of Islamic banks

So why are SMEs looking to Islamic banks? In part it is due to the fact that they are 'open for business' and willing and able to provide financing. However there are several other reasons, such as:

1) Given the context of the economic crisis and its aftermath, companies are searching for alternative means to achieve the optimum balance of cost and service in their funding streams in what remains a tough economic and banking environment. Of course competitive pricing remains one of the most important factors when looking for financing of any kind and Islamic banks are competing on this basis with the traditional lenders.

2) The documentation and redemption features of an Ijarah have a similar structure to those of finance leases. Therefore many companies which may not have considered coming to an Islamic bank in the past find that they are comfortable with the structure and format of an Ijarah. As with most conventional leases, Ijarah products are asset-backed, meaning that there is always an asset with

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an inherent value sitting behind the contract.

3) In the current market most businesses are looking for flexible and solution-led financing from banks. Since UK Islamic banks are generally smaller than their conventional peers, they are often more agile and they can meet financing requirements in a way that those operating a high volume, quick-turnover system cannot.

4) The impact of the failure and subsequent bail out of some banks cannot be overstressed; it has led to the trust between bank and client being severely damaged. SMEs are looking for banks that can offer transparent, fair and ethical banking. They are increasingly looking for banks to work with them; understand their business model; and who offer a service based on partnership. Islamic banks prioritize building partnerships with their clients. This is due in part to the principle of sharing risk that is inherent in Shariah finance.

5) Leasing and the requirement for finance from SMEs provide Islamic banks with an opportunity to develop and expand their market share.

> ***"The European Commission estimates there to be 23 million SMEs in the European Union, representing 99% of all businesses and providing around 90 million jobs within the single market"***

Conclusion

Leasing is a vital part of BLME's business model. It has been five years since BLME received the Financial Services Authority's authorization and we have provided over GBP500 million (US$784 million) in leasing finance in that period. The financial services industry has still not recovered but over the next five years we expect Islamic leasing to go from strength to strength.

Graeme Laing is the head of leasing at Bank of London and The Middle East. He can be contacted at Graeme.Laing@BLME.com.

Ijarah and foreign law

The number of cross-border transactions has significantly increased over the past few years as Ijarah becomes an increasingly popular method of financing. PAUL JARVIS examines.

General overview

While an Ijarah is functionally not that different from a conventional finance lease, there are differences because, under Shariah, an Ijarah is treated as an operating lease. These differences raise various credit-related issues:

1. The lessor must be the owner of the asset, so there will often be warranties that cannot be excluded by contract;

2. Under Shariah principles, the lessor, as the owner, cannot directly pass on to the lessee the obligation to deal with and pay for certain functions that remain its responsibility. These obligations include performing major maintenance, taking out property insurance and paying taxes that are levied on the owner. Agency arrangements are entered into to address these issues; and

3. The leasing arrangement will end if there is a total loss such that the lessee cannot use the leased asset for its intended purpose. In addition, the lessee cannot be obliged to continue paying rent after the total loss date. Insurance arrangements therefore become critical.

A basic Ijarah structure will involve the Islamic financier getting title to the asset and then entering into the Ijarah with the customer. The usual features will include:

1. If the rent is to vary (usually by reference to an interest rate benchmark), the lease term must be broken into individual lease periods. Normally, two days before the end of an existing lease period the lessor issues a notice to the lessee. The notice will describe the rent for the next lease period. If the lessee agrees, the leasing continues. If the lessee does not agree, the lease will end but the lessee must buy back the leased assets under a purchase undertaking (see below); and

2. The rent will be broken down into:
   - Fixed rent – being the amortization of the financed amount (the amount paid by the Islamic financier to buy the asset);
   - Variable rent – being the variable return payable on the financed amount; and
   - Supplementary rent – an additional amount to set off the lessor's obligation to repay the lessee (in its capacity as the service agent) the costs of it performing any major maintenance, taking out property insurance and paying ownership taxes which the lessee (in its capacity as the service agent) may have incurred.

> *"Even if English law is used for an overseas transaction, it is always very important to consider whether there are any overriding local laws that might take precedent over the contractual arrangements set out in the English law documentation"*

Agency arrangements

The Shariah requires that the lessor remains responsible for certain things (major maintenance, property insurance and ownership taxes). The lessor appoints the lessee to be its service agent to undertake those matters. In performing those tasks, the service agent will make any payments that are required. However, as an agent, it has a right to be reimbursed. An amount equal to the reimbursement obligation is added to the rent as supplementary rent. The two amounts are set off so, economically, the lessee bears the cost.

Unilateral undertakings

A unilateral sale undertaking is provided by the lessor to the lessee. This grants the lessee the right to 'pre-pay' and buy back the leased asset early, or to buy the property on the scheduled termination date. The purchase price equals fixed rent that has not yet come due, any outstanding fixed, variable and supplementary rent, and any reimbursement obligation owed under the agency arrangements. The lessee is responsible for any costs associated with the transfer of the asset to the lessee.

A unilateral purchase undertaking is provided by the lessee to lessor. The lessee agrees to purchase the leased assets if there is an event of default or an event of mandatory pre-payment. The purchase price will be the same as under the sale undertaking. The lessee is responsible for any costs associated with the transfer of the asset to the lessee.

Foreign law

The above provides an overview of a typical Ijarah transaction. Transaction documents are often governed by English law, even if the counterparties have no connection whatsoever to England. However, it might not always be possible or appropriate to use English law for an overseas transaction. Even if English law is used for an overseas transaction, it is always very important to consider whether there are any overriding local laws that might take precedent over the contractual arrangements set out in the English law documentation. Some of the issues an Islamic financier will need to consider are as follows:

- As a foreign entity, can I lawfully own the asset in question? Are there any foreign ownership restrictions?

- Will my ownership interest in the asset be recognized?

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- Do I need to register title to the asset in a particular registry?
- What liabilities will I assume by being an owner? Can I pass this on to the lessee, or are there strict liability obligations?
- Will I become subject to tax in the overseas jurisdiction?
- Do I need to be the registered owner of the asset, or can I acquire a beneficial interest?
- Is it easy for me to repossess my asset? Will I need a court order? How long will it take me to repossess and how much will it cost me?
- Will the lessee benefit from sovereign immunity?
- Will the Ijarah be re-characterized as some other type of financing arrangement? If so, will this affect my rights and obligations?

> ***"A basic Ijarah structure will involve the Islamic financier getting title to the asset and then entering into the Ijarah with the customer"***

- If I get a judgement from the English courts, will this be recognized by the foreign court?
- Does the Ijarah need to be notarized to be enforceable?
- Are unilateral documents like the purchase undertaking and sale undertaking recognized and enforceable?
- Is the concept of agency recognized?

Conclusion

Ijarah is becoming an increasingly popular method of financing. The number of cross-border transactions has significantly increased over the past few years. In light of this, it is essential that Islamic financiers fully understand and appreciate the impact that local laws might have on the structure of any transaction and, in particular, the Islamic financier's rights and obligations.

Paul Jarvis is a partner at SNR Denton & Co. He can be contacted at paul.jarvis@snrdenton.com.

Developments in the Egyptian leasing market

PROFESSOR DR SHAHINAZ RASHAD explores whether the Egyptian leasing industry can play a crucial role in the development and growth of SMEs.

Egypt is the largest MENA market in terms of population (80 million) and the third-largest economy in the region (after Saudi Arabia and the UAE). Economic drivers for Egypt are diverse: on the external side, tourism, Suez revenues and foreign direct investments are factors contributing to Egypt's growth. Egypt also exports around US$25 billion worth of goods a year, around half of which are energy commodities.

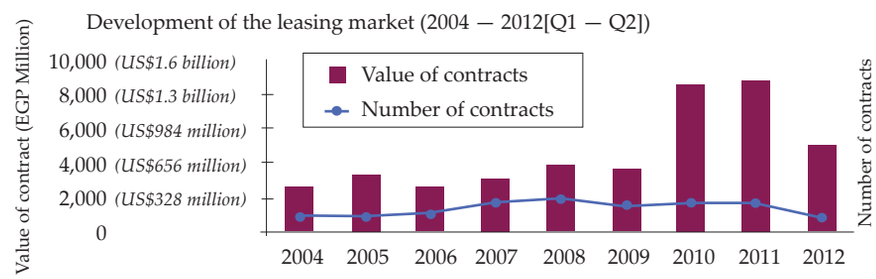
According to the HSBC Global Report 2012, the Egyptian market is one of the most liquid in the MENA region, usually trading above US$100 million a day, although this has dropped off since 2011, as local and regional political developments have resulted in foreign investors taking a step back from the market. However, analysts expect liquidity to pick up again once the political landscape becomes clearer. Over the past 10 years, Egypt has overall strongly outperformed the aggregate emerging markets index.

In 2011, the Egyptian equity market fell sharply as a result of political developments associated with the Arab Spring. However, this year the market has recovered well, which was partly because of some specific, bottom-up improvements and partly the result of the successful early-stage political transition.

According to the Central Bank of Egypt, in 2012 Egypt's gross domestic product (GDP) dropped steadily post the revolution but started to recover gradually. Real GDP expanded by 0.3% in Q1 2011/2012 (0.4% in Q4 2010/2011), full-year GDP growth was 1.8% in 2010/2011 versus 5.1% in 2009/2010. The current size of the leasing market in terms of total contract value reached almost 5% in 2011, but is expected to grow tremendously within the next few years depending on the structural, legal/regulatory and tax reforms.

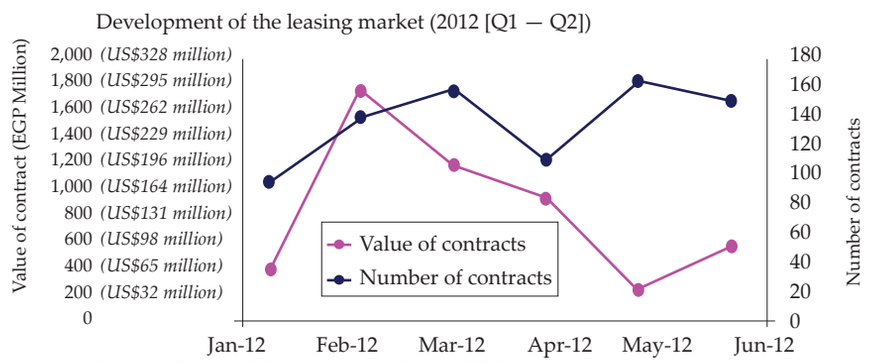
Under the new regulations of the March 2011 referendum, the president is limited to two four-year terms. After several delays, presidential elections were held in June 2012 which led to a victory for Muslim Brotherhood candidate, Mohammed Morsy, over Ahmed Shafiq, a long-serving member of the former regime. This marks a significant step forward in Egypt's political transition. These will be key issues for equity investors to watch in the medium-term. Before the revolution last year, Egypt was a long-standing favorite among international investors, offering a combination of strong domestic macro conditions and well-managed companies. This is expected to lead to a tremendous increase in Ijarah as a Shariah compliant tool compared to conventional banking for Shariah sensitive investors.

Chart 1: Number and volume of contracts (2004- mid 2012)



Source: Egyptian Financial Supervisory Authority (EFSA)

Chart 1: Trend analysis for the leasing market 2012 [Q1-Q2]



Source: Egyptian Financial Supervisory Authority (EFSA)

Leasing regulations in Egypt

Leasing is governed under the leasing law in Egypt which was introduced in 1995 and governed by Law No. 95 for 1995, which was amended by Law No. 16 for 2001. Even though leasing has existed in Egypt since 1995, it is still in the emerging stage, which is witnessed in its low penetration rate. The leasing law in Egypt is for commercial purposes only and does not include end consumers.

The regulatory body responsible for leasing is the Egyptian Financial Supervisory Authority (EFSA). This entity was formed during July 2009 and incorporates all non-banking financial sectors in Egypt. The EFSA has improved the registration process and improved efficiency. Meanwhile, the EFSA is the same entity engaged in the laws regarding Sukuk. According to the EFSA, there are currently 211 companies registered as of the report issued in July 2012. However, most of these companies are inactive and 24 are currently operating. The main competitors in the market are 17 active players; of which the main players account for 90% of the newly generated contracts.

In aggregate the leasing industry's contract value (1997- mid 2012) exceeds EGP50 billion (US$8.1 billion). In 2011, growth resumed and newly generated contacts grew by 2.5% per year, which was witnessed in a rise in the volume of contract value from EGP 8.7 billion (US$1.4 billion) compared to EGP8.5 billion (US$1.3 billion). However, growth

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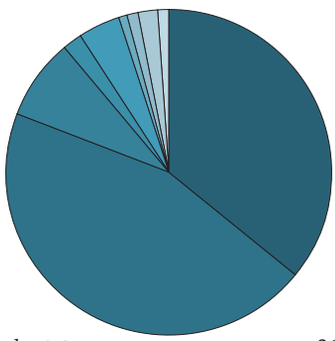
Exhibit (6): Leased contracts per Asset Class (2012 Q2)



Real estate	36%
Aircrafts	45%
Vehicles	8%
Heavy equipment	2%
Medical equipment	4%
Production Lines	1%
Cruises	1%
Office equipment	2%
Others	1 %

for 2012 continued slowly, despite the political uncertainty and economic repercussions, as shown in Chart 1.

Despite the fact that 2011 has been a tough year as a result of the global crisis and the Egyptian revolution of the 25th January, there exist a few signs that indicate an improved business environment in 2012-13. This is expected to attract increased flows of foreign direct investments (FDIs) and domestic investments after economic stability, which shall in turn increase the demand for non-banking business, including financial leasing.

Leasing is expected to continue to play a more significant role, especially after the revolution, as the most viable non-banking financial tools for SMEs, which are Shariah compliant. Yet, it is expected that the leasing sector shall even play a more significant role in light of the expected increase in medical infrastructure public private partnership projects.

In addition, the leasing market has been responsive to the government's initiative towards supporting SMEs and microfinancing. Although leasing has existed in Egypt for many years, it is still in its nascent stage. Still, competitive pressure is likely to mount over the next few years particularly as the market grows and encourages more active entrants. Despite the continuous growth of the leasing sector, it is yet to be seen whether the new regulator will enact any modifications in the existing legislation that will have an impact on the operating and regulatory environment for the leasing market.

Post-revolution, small and medium and micro-enterprises (M/SME) are the second critical component of the government of Egypt's economic reform and trade liberalization programs. About 71% of the total M/SME sector is micro-enterprises, the rest being divided between small (19%) and medium (10%) businesses. The M/SME sector suffers from inadequate resources however: M/SME support efforts reach no more than 5% of the total number of M/SME and direct subsidy programs cannot satisfy the sector's needs.

Leasing: Crucial growth for the economy

Meanwhile, the Egyptian leasing industry is expected to play a crucial role in the development as well as growth of the SMEs, which are the backbone of any economy. This will lead to a further boost in the volume of the leased assets in the next few years. The General Authority for Investment (GAFI) is enhancing opportunities for SME leasing through leasing companies. In fact, a few leasing companies have started to take initiatives to boost the M/SMEs sector progress with the cooperation of the Social Development Fund and GAFI.

Recently, the EFSA has started to play a very active role in promoting the leasing sector in Egypt. This has been witnessed both on the policy and facilitation levels. On the policy side GAFI maintains a close and ongoing dialogue with the Egyptian Leasing Association (ELA); which represents the main active leasing companies, as a means to address and communicate the sector impediments. On the facilitation level, EFSA has undertaken steps to simplify procedures; such as facilitating contract registration.

However, the EFSA should capitalize on the ELA, which represents the voice of the industry, and play an active role in addressing the main obstacles of the industry. This has been witnessed in light of the achievements made so far as mentioned earlier. For example, more transparency and consistence of accounting rules and improving the dissemination of information on the leasing industry is required.

Also, a more supportive legal and regulatory environment and a strong judicial system are crucial for assigning clear property rights, and improvement in the repossession and enforcement.

Meanwhile, there is also a strong economic incentive in case of the issuance of the final draft of Sukuk law, since Sukuk issuances continue to meet large investor appetite in the global market, particularly the Gulf and Malaysia, but European investors remain to be seen. Sukuk would benefit leasing companies in various ways that includes but not restricted to using Sukuk Ijarah to finance infrastructure and assed-backed projects and securitizing portfolios to raise funds. Needless to say, corporate Sukuk for leasing companies is considered to be a viable alternative to raise funds, especially in light of the rising cost of debt in the debt market.

Finally, the ELA aims to maintain a dialogue with international institutions such as the World Bank and the International Finance Cooperation (IFC) to contribute to the industry, as the role of the IFC and the World Bank has always been crucial to the leasing market. The IFC recently launched a leasing project, with the first phase being market assessment and a diagnostic of the current framework for leasing in Egypt (focusing on tax aspects, regulatory framework and lessors' current operations).

The IFC's project also includes agri-leasing as well as energy efficiency. This should help identify the most critical areas that need to be addressed (either on tax/regulatory or capacity building/awareness fronts). The results of this assessment will enable the IFC team to develop further comprehensive leasing project proposals to promote and stimulate leasing across the country.

The IFC shall leverage the ELA and the leasing players' experience and role in identifying challenges and areas for improvement. The outcome of the ELA and the IFC's initiatives is expected foster the leasing/Ijarah market's contribution to the GDP.

Professor Dr Shahinaz Rashad Abdellatif is the CEO of the Egyptian Leasing Association. She can be contacted at srashad@ela-egypt.com.

Islamic Investor

Vol 9 Issue 32

Equity funds are here to stay

Cover Story

Global financial markets have been volatile over the last year, mainly caused by the continued uncertainties in the Eurozone, making Europe one of the shakiest global regions, along with the weakening economy in the US.

Despite this, equity remains the main asset class for Shariah compliant funds worldwide, accounting for 49.7% of all assets in the Islamic funds space in 2011, according to KFH Research. The first quarter of 2012 saw equity markets surge, prompting the Eurekahedge Islamic Equity Index to rise by about 7% to 101%. The index further revealed that in mid-April, global stock markets slumped over concerns of the manufacturing slowdown in the Eurozone economies and China.

Asked about the appeal of Islamic equity funds Monem Salam, the president of Saturna, is of the view that in Malaysia, equity funds still have a long way to go and are not facing the issues fund managers are encountering in the west where, in countries such as the US, funds are now flowing out of equity and into fixed income.

Putting it in the context of Malaysia, he says that the country's stock market also faced a down market but it rallied very quickly to reach new highs. "So I think if you are looking for the extra rate of return you need to invest in equities."

Another reason Monem cites is the demographics, which currently favor equities in emerging economies more than developed nations with an aging investor base. He believes that fixed income is more appropriate for the older age group while in Asia and the Middle East, the majority of the population is just entering the workforce with at least 30-40 years before retirement, and for whom equity may be a better option.

Eurekahedge Islamic Fund Equity Index overthe last one year

"In that such an age group a fixed income allocation may not be necessary as there are options to allocate funds between conservative and aggressive equities. So I think that in the next wave, equity funds – be they Islamic or conventional – will still be beneficial for certain regions in the world."

Islamic equity funds exclude financial stocks in their portfolio. The result is that Islamic funds are not exposed to risks such as the Lehman Brothers fiasco which shook the conventional financial industry and the conventional funds sector as well. Monem believes that the Shariah screening is right in excluding this sector. "I think that on a secular basis in the long-run you would not want to be exposed to the financial industry as there are more regulations coming down the pipeline."

However he highlights an area of concern, as Islamic asset managers tend to be commodity-weighted, especially in income and equity income funds. "When the commodities sector does poorly, then these funds are also going to underperform because they are overweight on commodities that provide them the stability and income that most portfolios are looking for."

Islamic equity funds will continue to dominate the Islamic funds industry; and whether plain vanilla or a mixed asset allocation portfolio there remains the strong appeal of slightly higher risk traded for often significantly higher return. Asia-focused investments continue to generate positive returns despite the continued volatility due to good corporate governance and prudent investing. The Shariah screening is definitely welcome in the current global economic conditions. — *RW*

In this issue...

Return exceeds target

GLOBAL: Sterling UK Real Estate Fund, jointly managed by Sidra Capital and Gatehouse Bank, will return an annualized net dividends distribution of 7% in its first payout to investors.

The distribution is higher than the targeted return of 6.5%.

Aberdeen eyes Shariah compliant funds

MALAYSIA: Islamic Finance *news* has learnt that Aberdeen Asset Management (Malaysia) is planning to launch two Shariah compliant retail funds targeting the global and local markets, respectively.

Gerald Ambrose, its managing director, said that the company submitted its application to Securities Commission Malaysia for its approval on the funds on the 30th March 2012; adding that he is optimistic the approval process is currently in its final stages.

On the outlook of Malaysia's market for Islamic funds, he said that: "Based on the funds we're managing right now, the market is good and we're hopeful that it will stay good until the end of the year."

Funds gain in July

AUSTRALIA: Crescent Wealth reported a return of 0.4% for its Crescent Australian Equities Fund in July 2012, while its Crescent Islamic Cash Management Fund gained 0.2% during the month.

However, its Australian equities fund underperformed the S&P/ASX300, which gained 4.2% during the period; and has lost 11.6% since its inception in July 2011.

New Al Baraka fund in 2012

EGYPT: Al Baraka Bank Egypt will set up a Shariah compliant fund by the end of 2012, according to Ashraf Al Ghamrawi, its vice-chairman and CEO.

MIZĀN Fund

Objective: The MIZĀN Fund is a Shariah compliant, US all-equity fund, consisting of about 300 stocks in seven equity styles: with 70% large cap stocks, selected from the Russell 1000 Index, and 30% small cap stocks, selected from the Russell 2000 Index. Its investment objective is long-term capital appreciation, seeking to outperform its Russell 3000 Index benchmark over market cycles. The fund has outperformed its benchmark in eight out of 10 quarters since it was first offered to investors, in both up and down markets.

What led to this fund being launched?

We wanted to offer Muslim investors long-only US equity funds which use quantitative methods of stock selection and which are expected to outperform conventional benchmarks. The MIZĀN Fund brings this to the Muslim investor.

Why has this particular region / asset class been chosen?

Muslim investors all around the world should be holding US assets because of the importance of the US market. The seven equity styles in the fund mitigate risk.

What are the key factors that drive the fund's performance?

We have to identify key factors that drive both return and risk. On the return side, Earnings Pressure, a proprietary analysis of EPS estimate revisions, is a key driver to outperforming the market, helped by the large selection universe of Shariah compliant stocks. The risk of the fund is managed by our use of quality screens, our selection of stocks with good Earnings Pressure and our broad emphasis on diversification. The fund is diversified across seven equity styles and the fund holds about 300 stocks so that exposure to individual stocks is also small and there are limits to sector weightings. The selection process of the fund is also diversified across time. Before the fund was offered to investors, it was back-tested from the 31st December 1986 to evaluate risk.

Who are your investors?

Investors in US qualified retirement plans.

What is the rate of return of this fund?

The fund has outperformed its benchmark in eight out of the ten quarters since it became available to investors. During this time, the fund has had a net return of 42.56% versus 29.13% for its benchmark, for an excess return of 13.43%. This corresponds to an average return of 15.24% per year for the fund and 10.77% per year for the benchmark, an average outperformance of 4.47% per year. In 2012, the MIZAN Fund has had a net return of 8.8% vs 9.32% for its benchmark. The relative performance of the fund was adversely affected by the higher return of financial stocks, (excluded from the fund but included in the benchmark,) and the lower relative return of small capitalization stocks.

How has this fund performed compared to your initial expectations?

In line with expectations. In the past 10 quarters, its net outperformance of 4.47% per year is very close to its average back-tested outperformance over the past 25.5 years of 4.67% per year.

What is the market outlook for this fund?

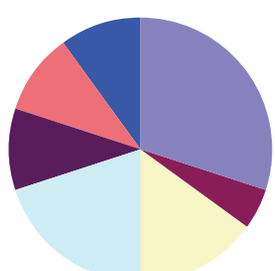
The fund is performing in line with expectations and the US market with all its problems seems to be relatively attractive.

Why should investors chose this fund over others?

The fund has had outstanding performance in different market environments, it is diversified across seven equity styles, it offers liquidity and its selection process is transparent and objective.

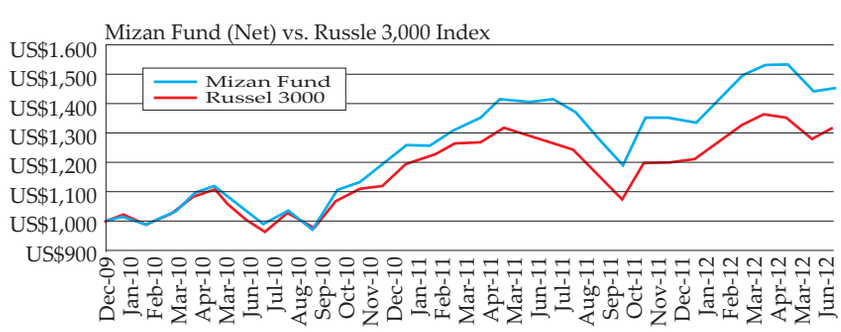
Fact sheet	
Fund Manager	Lightstone Capital Advisers
Trustee	Hand Benefits and Trust
Shariah Advisor(s)	The quantitative screens used by the fund are listed on its website, www.MIZANFunds.com.
Benchmark (Index)	Russell 3000 Index
Domicile	US
Inception Date	9th December 2012
Fund Characteristics **(As of 30th June 2012)*	**Fund Type – Open / Closed** Open **NAV per share** US$14.47 **Minimum / Subsequent Investment** No minimum **Management Fee** R1 total expense ratio 90 basis points. **Dividend policy** Dividends reinvested.

***Equity Style Allocation**



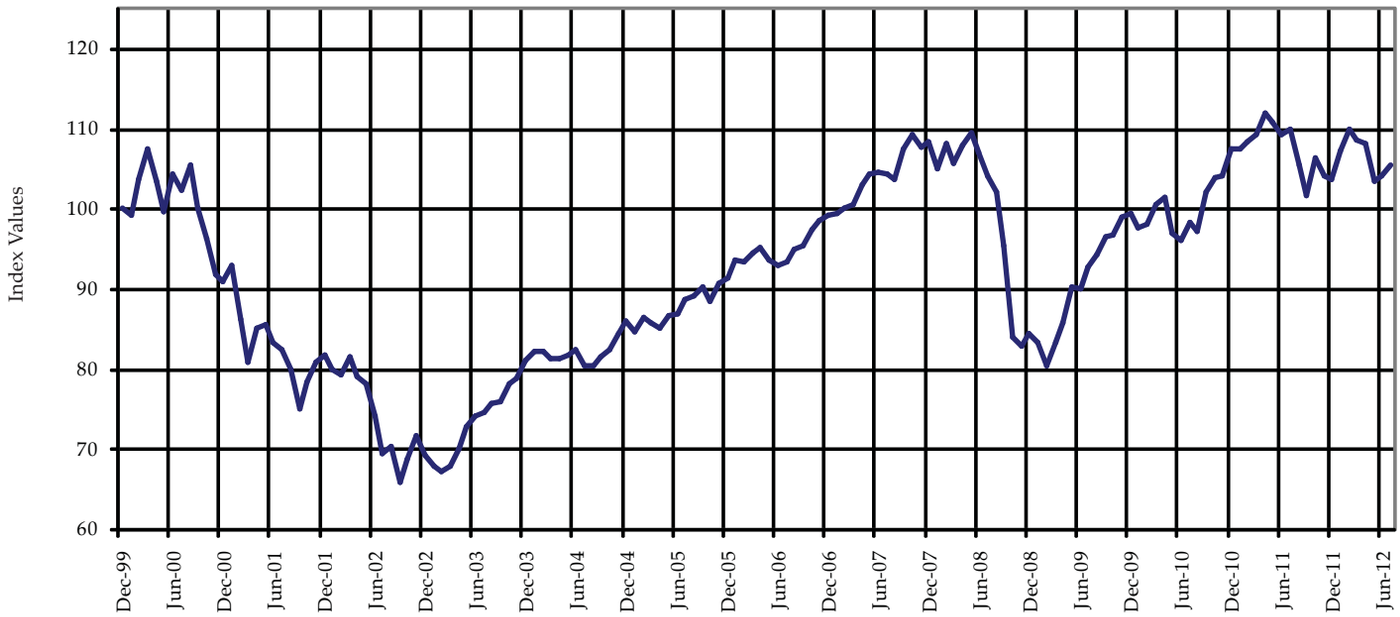
Large Cap divident growth	30%
Large Cap growth	5%
Large Cap GARR	15%
Large Cap Value	20%
Small Cap Growth	10%
Small Cap GARP	10%
Small Cap Value	10%

***Performance Graph**



*Performance Summary	
YTD Return	8.8%
Cumulative return since inception	44.70%
Annualized return since inception	15.53%

Eurekahedge Global Islamic Fund Index



Top 10 Monthly Returns for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AlAhli Global Real Estate	The National Commercial Bank	9.29	Saudi Arabia
2	AlAhli Europe Trading Equity	The National Commercial Bank	5.99	Saudi Arabia
3	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	5.87	Pakistan
4	AlAhli Asia Pacific Trading Equity	The National Commercial Bank	5.49	Saudi Arabia
5	NBAD UAE Islamic (Al Nae'em)	National Bank of Abu Dhabi	5.36	UAE
6	Al Rajhi Global Equity	UBS	4.74	Saudi Arabia
7	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	4.73	Pakistan
8	Reliance Global Shariah Growth - USD I	Reliance Asset Management (Malaysia)	4.66	Guernsey
9	Al Rajhi Local Shares	Al Rajhi Bank	4.11	Saudi Arabia
10	Am-Namaa' Asia-Pacific Equity Growth	AmInvestment Management	3.93	Malaysia
	Eurekahedge Islamic Fund Index		**1.15**	

Based on 42.30% of funds which have reported Jul 2012 returns as at 14th Aug 2012

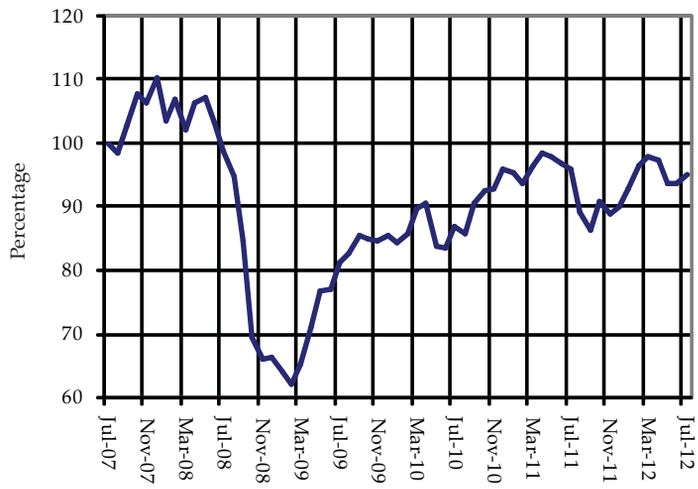
Top 10 Monthly Returns for Global Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AlAhli Global Real Estate	The National Commercial Bank	9.29	Saudi Arabia
2	Al Rajhi Global Equity	UBS	4.74	Saudi Arabia
3	Reliance Global Shariah Growth - USD I	Reliance Asset Management (Malaysia)	4.66	Guernsey
4	JPM Islamic Global Dynamic Equity (USD) A (acc)	J.P. Morgan International Bank	2.91	Luxembourg
5	Pacific Dana Dividen	Pacific Mutual Fund	2.48	Malaysia
6	Emirates Islamic Global Balanced	EIS Asset Management	2.45	Channel Islands
7	AlAhli Global Trading Equity	The National Commercial Bank	2.25	Saudi Arabia
8	AlAhli Healthcare Trading Equity	The National Commercial Bank	1.73	Saudi Arabia
9	AlManarah High Growth Portfolio	The National Commercial Bank	1.58	Saudi Arabia
10	Jadwa Global Sukuk	Jadwa Investment	1.37	Saudi Arabia
	Eurekahedge Global Fund Index		**1.28**	

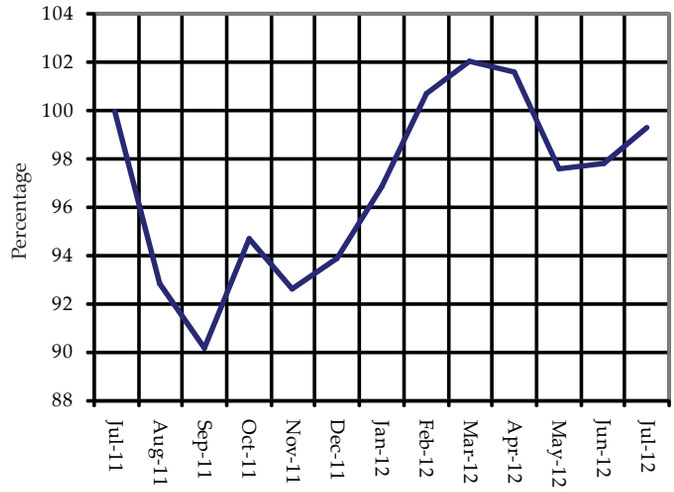
Based on 44.26% of funds which have reported Jul 2012 returns as at 14th Aug 2012

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 Equity Index over the last 5 years



Eurekahedge Islamic Fund Equity Index over the last 1 year



Top 10 Islamic Equity Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	7.02	Pakistan
2	CIMB Islamic Small Cap	CIMB-Principal Asset Management	6.53	Malaysia
3	Public Islamic Sector Select	Public Mutual	6.19	Malaysia
4	AmIslamic Growth	AmInvestment Management	5.80	Malaysia
5	InterPac Dana Safi	Inter-Pacific Asset Management	5.64	Malaysia
6	Affin Islamic Equity	Affin Fund Management	5.33	Malaysia
7	Public Islamic Equity	Public Mutual	5.26	Malaysia
8	BIMB i-Growth	BIMB UNIT Trust Management Berhad	5.16	Malaysia
9	Public Islamic Dividend	Public Mutual	5.03	Malaysia
10	Public Islamic Optimal Growth	Public Mutual	4.97	Malaysia
	Eurekahedge Islamic Equity Fund Index		**(2.27)**	

Based on 43.03% of funds which have reported Jul 2012 returns as at 14th Aug 2012

Top 10 Globally Investing Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Jadwa Global Sukuk	Jadwa Investment	2.45	Saudi Arabia
2	AlAhli Healthcare Trading Equity	The National Commercial Bank	2.00	Saudi Arabia
3	AlAhli Global Real Estate	The National Commercial Bank	1.86	Saudi Arabia
4	Global Sukuk Plus	QIB (UK)	1.61	Luxembourg
5	BLME Umbrella Sicav - SIF - USD Income - Class B	Bank of London and The Middle East	1.18	Luxembourg
6	CIMB Islamic Commodities Structured 2	CIMB-Principal Asset Management	0.78	Malaysia
7	Pacific Dana Dividen	Pacific Mutual	0.37	Malaysia
8	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.36	Saudi Arabia
9	Al Rajhi Commodity Mudarabah - SAR	Al Rajhi Bank	0.34	Saudi Arabia
10	Al Rajhi Commodity Mudarabah - EUR	Al Rajhi Bank	0.23	Saudi Arabia
	Eurekahedge Global Islamic Fund Index		**(2.45)**	

Based on 44.26% of funds which have reported Jul 2012 returns as at 14th Aug 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

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15th August 2012

Oman: On the right track

Cover story

The Oman National Investment Corporation (ONIC) has revealed that it is currently in talks with a regional Takaful player to set up a joint venture Takaful insurance company in Oman. The company, which has received an 'in principal' approval from the Capital Market Authority (CMA), is set to take off once the country's regulators have finalized the law for Takaful and Islamic capital market instruments such as Sukuk.

> ***"Once Oman's insurance and Islamic capital market laws are finalized, the country will become the last of the six GCC nations to adopt Islamic banking and finance into its capital market"***

The company, which is anticipated to fulfill the minimum paid-up capital of OMR10 million (US$26 million) to set up an insurance firm in the country, will be the first Takaful company in Oman upon its establishment. Once Oman's insurance and Islamic capital market laws are finalized, the country will become the last of the six GCC nations to adopt Islamic banking and finance into its capital market.

In 2011, the six GCC countries — Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE — recorded a combined GDP of US$854 billion, ranking the GCC among the top 20 economies in the world. Based on these numbers, Oman's Islamic banking and finance sector is expected to thrive. According to a report by the Qatar Financial Center Authority (QFCA), the insurance market in the GCC directly mirrors the macroeconomic dynamics of the region; meaning that there is much untapped potential in these markets.

The report projects total non-Life and Life premium volumes in the GCC to reach US$16.4 billion, with Life business surpassing non-Life in terms of growth, despite holding a smaller market share of 13%. Between 2006 and 2010, GCC insurance premiums expanded at a nominal annual rate of 19% compared to the global average of 4%, according to the QFCA.

Oman has an obvious setback as a new market for Islamic insurance and Islamic banking in general, thus creating a mismatch between the potential demand for Takaful products and the emergence of new Takaful operators with readily available long-term Shariah compliant instruments for investment.

However, Oman and the GCC market as a whole face several other challenges to growth, such as regulatory deficits—including the contradiction between onshore and offshore regulation and low risk retention by domestic insurers. Other factors include a lack of expertise, low level of insurance awareness, inadequate natural catastrophe protection and excessive competition fuelled by an abundance of reinsurance capacity.

The draft law for forming Takaful firms and Sukuk debt instruments has been submitted by Clifford Chance to the CMA for approval, and is expected to be finalized by September 2012. The draft law proposes the allowance of standalone companies for Takaful operations, amongst other things. — *NH*

In this issue...

Strong growth at Abu Dhabi National Takaful

UAE: Abu Dhabi National Takaful reported a net profit of AED11.75 million (US$3.2 million) for the first half ended the 30th June 2012, compared to AED9.58 million (US$2.61 million) a year earlier.

However, gross Takaful contributions decreased 8% to AED 91 million (US$24.77 million).

Takaful Malaysia returns rebates

MALAYSIA: Syarikat Takaful Malaysia (Takaful Malaysia) has returned RM350,990 (US$112,971) in unclaimed rebates to Lembaga Tabung Haji for three products the pilgrims fund manager subscribed to in 2011.

The firm provides rebates for all its Takaful Am products which do not receive claims during the coverage period.

According to Norazlin Mohd Dahari, its corporate sales general manager, Takaful Malaysia returns an average of RM20 million (US$6.46 million) in cash rebates annually.

New Takaful provider in the pipeline?

OMAN: Oman National Investment Corporation (ONIC) has announced that it is at an advanced stage of evaluating a potential investment in Takaful.

"A detailed announcement will follow, if terms are agreed," it said in a statement to the Muscat Securities Market.

Robust results for Takaful Malaysia

MALAYSIA: Syarikat Takaful Malaysia (Takaful Malaysia) announced an increase in net profit to RM22.58 million (US$7.24 million) for the second quarter ended the 30th June 2012, against RM16.51 million (US$5.3 million) the year before.

Total revenue surged to RM446.13 million (US$143 million) from RM327.23 million (US$104.89 million).

Gross contributions from its Family Takaful business rose to RM280.8 million (US$90 million), from RM167.6 million (US$53.72 million) a year earlier, while its gross contributions from General Takaful declined to RM18.3 million (US$5.87 million) from RM97.3 million (US$31.19 million).

Takaful in Jordan: Engineering growth

In the context of improving insurance penetration rates in Jordan, FIRAS T ABD-ALHADI discusses the steps taken by the Insurance Commission of Jordan on improving the Takaful system in Jordan.

The past two decades have witnessed the growth of Islamic insurance businesses as a viable option of insurance services based on the principles of Shariah. According to Takaful, the given name of this option, insurance premiums are considered to constitute a mutual benefit fund with benefits and risks shared among the insured parties.

Profits generated from insurance activities are paid to these parties according to pre-determined rates. The past few years have also shown high growth prospects for Life Takaful especially as many people in the MENA region refrain from conventional Life coverage due to religious considerations.

Internationally, there are indicators that Takaful is starting to become a pivotal component in the international financial system as a whole. It is already a basic element in Islamic financial services especially through its ability to mobilize deposits and introduce participatory risk management mechanisms, in addition to its role as an institutional investor.

With an insurance penetration rate of around 1% in the MENA region, Takaful offers the opportunity of presenting insurance options that can boost this percentage, especially with rapid population growth and improving insurance awareness.

However, an expedited growth of Takaful necessitates a solid regulatory framework including Takaful contracts, supervision thereof and ensuring their compliance with insurance principles on the one hand and Shariah principles on the other.

Regulatory initiatives

In the context of improving insurance penetration rates and qualifying Jordan to become a domicile of advanced insurance services, conventional and Takaful, the Insurance Commission of Jordan (ICJ), has worked on improving the Islamic insurance system to become an active contributor in national financial services and to meet citizens' different insurance needs.

"With an insurance penetration rate of around 1% in the MENA region, Takaful offers the opportunity of presenting insurance options that can boost this percentage, especially with rapid population growth and improving insurance awareness"

In this regard, the ICJ issued in 2011 instructions regulating Takaful in the kingdom to lay the legal framework for insurance companies licensed to practice this type of insurance following Islamic jurisprudence in all insurance activities and investment plans.

Issuance of these instructions responds to growing demand on Takaful products and the necessity of providing sufficient protection for the rights of policyholders and beneficiaries in accordance with bases and norms designed by the Islamic Financial Services Board (IFSB). It is also in line with the ICJ's main role of regulating, developing and supervising all issues relevant to insurance in Jordan.

The instructions allow Takaful companies to practice Takaful business management processes and investment of policyholders' subscriptions on the bases of Wakalah, Mudarabah or both, and in harmony with Shariah. On the other hand, the instructions stipulates that a Takaful insurance company should include in its insurance policy a section on the special provisions of Takaful insurance including the main bases and principles followed by that company in its relation with subscribers.

The instructions also include clauses to reflect the nature of the Takaful company: such as those regarding the accounts to be opened by the company to separate shareholders equities account from policyholders' account and those relevant to re-Takaful. The clauses also require establishing a controls committee within the Takaful company to maintain a balance between the interests of subscribers and those of shareholders.

There are also provisions covering the Shariah supervisory board in terms of members' eligibility, appointment and dismissal in addition to the board's mandate and duties.

Currently, there are three Takaful companies in Jordan, two of which are licensed as non-Life and one as a composite company. During the last few years, Takaful contribution in overall insurance premiums increased from 3.3% in 2008 to 7.8% in 2011 reaching JOD34.8 million (US$ 49.1 million).

Against this background, the ICJ is working to enhance the Takaful market in Jordan through further developing a conducive regulatory framework, diversifying distribution channels and building capabilities of Takaful companies' staffs.

Firas T Abd-Alhadi is the insurance awareness officer at the Insurance Commission of Jordan. He can be contacted at fabdelhadi@irc.gov.jo.

Q "What impact will the Indonesian central bank's recently introduced shareholding limits have on its Islamic banking industry?"

A Ownership concentration is a problem in many emerging markets, as if a dominant shareholder seeks to sell this can undermine the bank's share price. As a consequence the capital adequacy of the bank may be threatened, which will result in the bank having to reduce its assets by curtailing new financing. Hence there is a credit squeeze which can adversely affect the bank's clients.

The move by the Indonesian caentral bank will ultimately strengthen Islamic banking in the country as having a diverse shareholder base reduces vulnerability. Shareholders can enter and exit at different times stabilizing share prices. The new regulation may be prompted by the need for the Indonesian central bank to prepare for the implementation of Basel III which tightens the rules for capital adequacy.

Islamic banks should not be mere prestige projects for rich investors but instead be open to middle class investors of more modest means who may also be the banks' clients.

RODNEY WILSON
Emeritus Professor, Durham University UK

A In my opinion, the newly announced New Bank Ownership Rules have brought certainty to the process of investing (and eventually acquiring) Indonesian Islamic and conventional banks. The essence of the requirements has not changed, as Bank Indonesia, the central bank, still has a lot of discretionary powers to allow investors (foreign and domestic) to hold more than the 40% limit as imposed on banks and non-bank financial institutions wishing to invest in Indonesian banks. Furthermore, publically listed banks may acquire up to 99% of an Indonesian bank, if they fulfill the fit and proper criteria as advertised by Bank Indonesia.

In essence, there is nothing in the New Bank Ownership Rules which may adversely impact the investing into Indonesian banking sector. The removal of uncertainty in the processes and procedures is definitely going to help investment into the sector.

PROFESSOR HUMAYON DAR
Chairman, president & CEO, Edbiz Consulting

A Many developing countries have rules which restrict the proportion of a local bank which may be owned by a foreign shareholder, and often require a significant part of the local bank's shares to be owned by domestic shareholders. Conversely such rules are relatively uncommon in advanced economies.

While such ownership restrictions are always justified on grounds such as prudential regulation, development of local enterprise etc. their effect is almost always negative. They make the country a less attractive destination for inward investments, and the main beneficiaries are typically well-connected local businessmen who can serve as the legally mandated domestic partners for foreign investors.

Against that general background, the new bank ownership rules announced by Bank Indonesia in July appear relatively well designed. For example, it is appropriate to require significant foreign shareholders to have good corporate governance. Upon first impression, the new rules do not require foreign shareholders who exceed the new standard 40% threshold to divest, provided that the Indonesian bank concerned continues to be financially healthy.

Accordingly the design of the rules is unlikely to harm the Indonesian Islamic banking sector or to inhibit its growth. While there will be a standard 40% limit on foreign ownership, with the advance permission of Bank Indonesia appropriately qualified foreign banks will still be able to set up or purchase subsidiary banks in Indonesia which are almost wholly-owned. This should enable the sector to continue to benefit from foreign Islamic banking expertise and avoid reducing competition in the Indonesian Islamic banking market.

MOHAMMED AMIN
Islamic finance consultant and former UK head of Islamic finance at PwC

A Medium impact. While the regulation aims to promote financial stability, I feel that it does not reduce Indonesia's competitiveness because the regulation provides for a myriad of exemptions (which can appear confusing to some). For example, the 40% maximum shareholding is not applied to all financial institutions across the board. It applies to certain categories of financial institutions deemed as 'relatively healthy' or 'unhealthy'. The regulation also allows Bank Indonesia to provide approval for certain shareholders wishing to hold more than a 40% stake in financial institutions — if they meet the required criteria.

HANIM HAMZAH
Partner, Roosdiono & Partners, a member of ZICOlaw

Next Forum Question:

Is there still room for innovation in Islamic finance syndicated facilities and which areas would require focus?

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 24th August 2012.

Moayyad Tahtamouni, chief of listing division, listing & operations department, Amman Stock Exchange

Moayyad Tahtamouni is a member in the committee that drafted the code of corporate governance for listed companies in the Amman Stock Exchange. He also holds a Masters of Science in Finance from the Amman Arabic University.

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

I completed my Bachelors degree in accounting in three years from the most prestigious university in business in Jordan (Al-Yarmouk University) in 2003. After my graduation, the Amman Stock Exchange (ASE) offered me the chance to join its staff in April 2003 as a junior analyst in the companies and members department.

In 2004 I moved to the listing and operations department (after merging the companies and members department and the trading department). During my time there I got my Masters degree in finance in 2005, and in 2006 I was promoted to be the chief of both the listing and the members divisions. I am now responsible for 250 listed companies and 60 brokerage firms.

What does your role involve?

I am responsible for managing and performing the following tasks:

- Corporate governance-related issues.
- Reviewing listing applications.
- Reviewing membership applications.
- Monitoring listed companies' and member firms' obedience to ASE regulations.
- Receiving listed companies' financial & non-financial disclosures and examining their accordance with international standards governing these disclosures.
- Examining the legal and technical aspects of introducing new products to the market.
- Handling corporate actions for listed companies; increases and decreases of capital, mergers, acquisitions, etc.

What is your greatest achievement to date?

I think that it is hard to choose a single achievement to highlight in my nine-year career, so I would choose two achievements: the ASE membership in the World Federation of Exchanges (WFE) and my participation in the creation and adoption of the Jordanian code of corporate governance, which was approved in 2007.

Which of your products/ services deliver the best results?

I think that the best ASE service would be encouraging transparency and disclosure in the market. The Jordanian capital market has been known since its establishment as one of the most developed markets in the region, especially in areas of market regulation and the enhancing of good corporate governance practices.

Additionally, the high level of foreign investor ownership in the market capitalization reflects their confidence in the ASE. The percentage of foreign investments in the ASE is more than 48% of market capitalization. This percentage is one of the highest in the region.

What are the strengths of your business?

I think that there are a lot of factors contributing to the ASE strength. First, authority: granted by the Jordanian Securities Law.

Second, autonomy: the ASE has been known since its establishment as an independent organization that keeps the same distance with all the parties.

Third, integration: the ASE always integrates with other parties before taking any decision that could affect the market.

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

I think that the ASE has positioned itself as one of the most attractive, developing and reliable exchanges in the region. I think that our success can be attributed mainly to our commitment to transparency and investor protection; and the equitable treatment of investors.

What are the obstacles faced in running your business today?

I think that our capital market is facing a number of challenges that arise from both the market structure and its correlation with the international markets.

Family businesses are the dominant form of companies listed in our market; and this in particular creates risks concerning transparency and corporate governance.

I think that Islamic finance will gain more ground from the traditional means of finance in the coming few years, with an increased impact on the global economy.

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

I think that Islamic finance in Jordan is unfortunately still taking its first steps. Islamic banks in Jordan are still adopting the same old techniques in their operations, and our financial society is not informed enough regarding the wide range of services and products that Islamic finance offers.

ISSUER	SIZE	DATE ANNOUNCED
Putrajaya Holdings	RM3 billion	13th August 2012
Indonesia sovereign	US$1 billion	10th August 2012
Indonesia sovereign	US$750 million	10th August 2012
Tanjung Bin Power	RM4.5 billion	7th August 2012
Kuala Lumpur Kepong Berhad	RM1 billion	1st August 2012
Axiata	US$1.5 billion	25th July 2012
Bahrain Mumtalakat Holding	RM3 billion	30th July 2012
Kimanis Power	RM1.16 billion	16th July 2012
Syarikat Prasarana Negara	RM4 billion	12th July 2012
Türkiye Finans Katilim Bankasi	US$300 million	9th July 2012
Sudan sovereign	US$758 million	5th July 2012
South Africa sovereign	TBA	4th July 2012
Indonesia sovereign	IDR500 billion	3rd July 2012
National Treasury South Africa	US$500 - 700 million	3rd July 2012
Qatar sovereign	US$4 billion	2nd July 2012
Standard Chartered	TBA	2nd July 2012
Indosat	IDR300 billion	20th June 2012
Sadara	SAR1.4 billion	13th June 2012
UEM Group	RM2.2 billion	13th June 2012
Danainfra	RM8 billion	31st May 2012
General Authority of Civil Aviation	TBA	24th May 2012
Morocco sovereign	TBA	23rd May 2012
Amer Group Holding	EGP2.7 billion	14th May 2012
Emirates NBD	US$500 million	7th May 2012
Epmex	RM1.35 billion	25th April 2012
Noor Islamic Bank	US$1 billion	19th April 2012
Encorp	RM1.58 billion	18th April 2012
Banque Saudi Fransi	US$2 billion	18th April 2012
Islamic Development Bank	RM400 million	17th April 2012
Indosat	IDR2.5 trillion	17th April 2012
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
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
First Community Bank	KES2 billion	8th March 2012
Pakistan sovereign	TBA	7th March 2012
Syarikat Prasarana Negara	RM4 billion	6th March 2012

IFN Correspondents

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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

CZECH REPUBLIC: JUDr Ivana Hrdlickova,
judge, Judiciary, Appelate Court Pardubice

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INDIA: Keyur Shah
partner, KPMG

INDONESIA: Farouk A Alwyni
chairman, Center for Islamic Studies in Finance, Economics, and Development

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

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president, Japan Islamic Finance

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partner, Lee & Ko

KUWAIT: Alex Saleh
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LUXEMBOURG: Marc Theisen
partner, Theisen Law

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

MALDIVES: Aishath Muneeza
head of Islamic finance, Capital Market Development Authority

MALTA: Reuben Buttigieg
president, Malta Institute of Management

MAURITIUS: Sameer K Tegally
associate, Conyers Dill & Pearman

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

NIGERIA: Hajara Adeola
managing director, Lotus Capital Limited

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

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

PHILIPPINES: Rafael A Morales
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QATAR: Amjad Hussain
partner, K&L Gates

SAUDI ARABIA: Nabil Issa
partner, King & Spalding

SENEGAL: Abdoulaye Mbow
Islamic finance advisor, Africa Islamic Finance Corporation

SOUTH AFRICA: Amman Muhammad
managing director, Absa Islamic Bank

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

TURKEY: Ali Ceylan
partner, Baspinar & Partners

UAE: Moinuddin Malim
CEO, Mashreq Al Islami

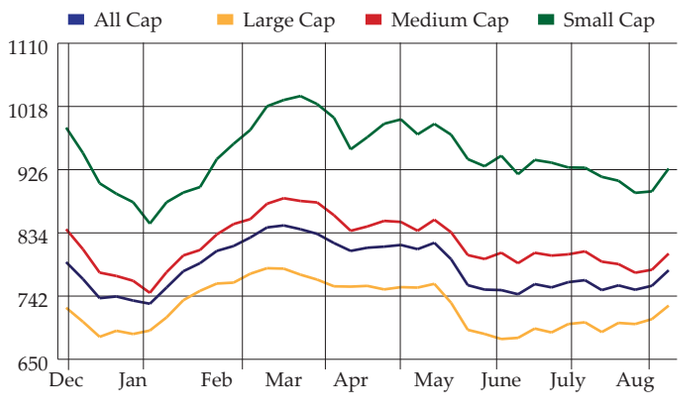
UK: Siraj Ibrahim
associate, Credit Agricole CIB

US: Saeid Hamedanchi
CEO, ShariahShares

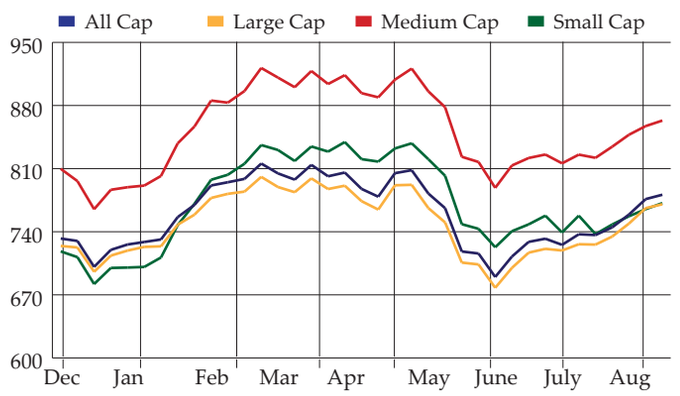
YEMEN: Moneer Saif
head of Islamic banking, CAC Bank

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

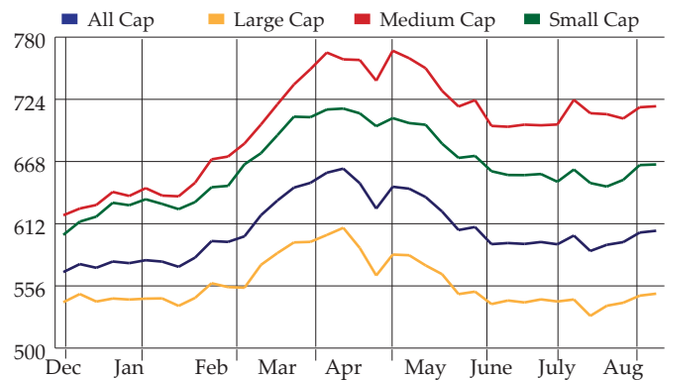
REDmoney Asia ex. Japan *6 Months*



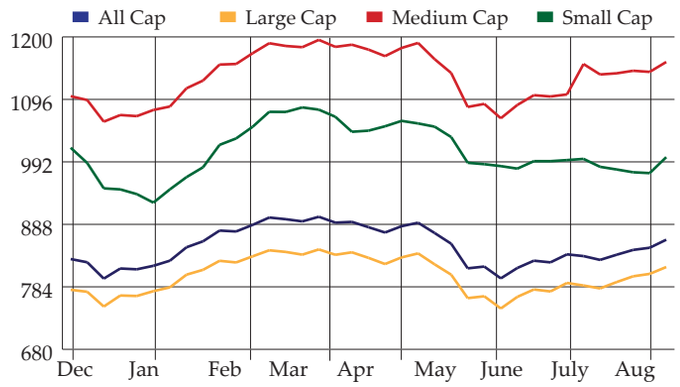
REDmoney Europe *6 Months*



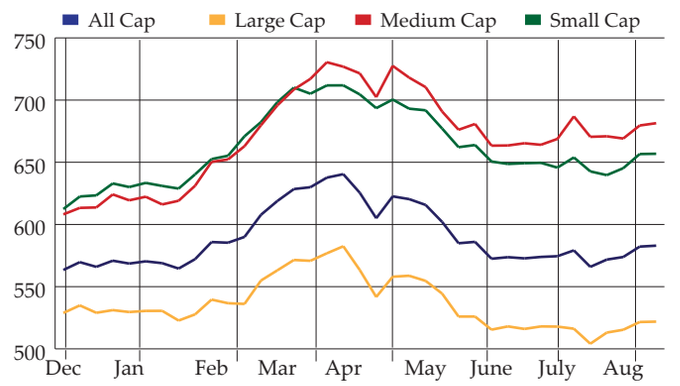
REDmoney GCC *6 Months*



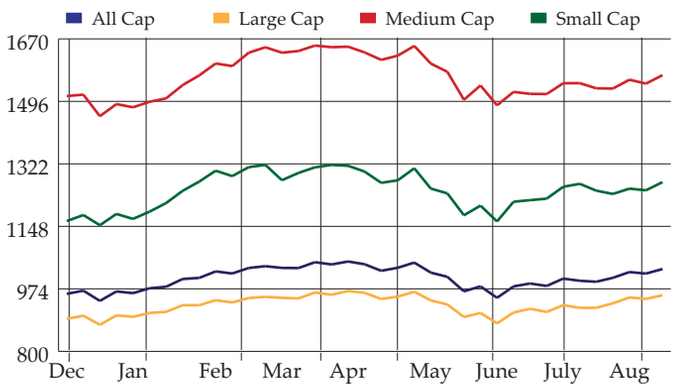
REDmoney Global *6 Months*



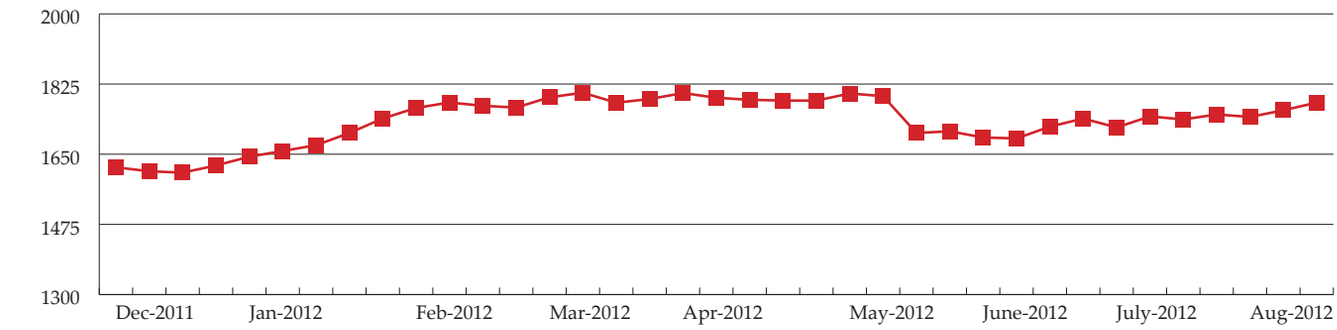
REDmoney MENA *6 Months*



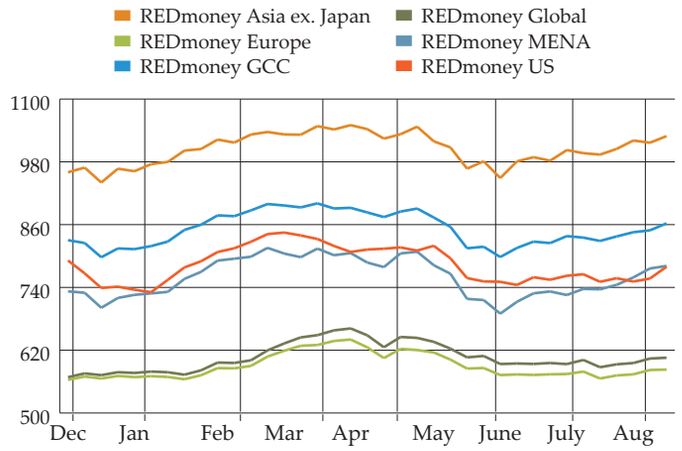
REDmoney US *6 Months*



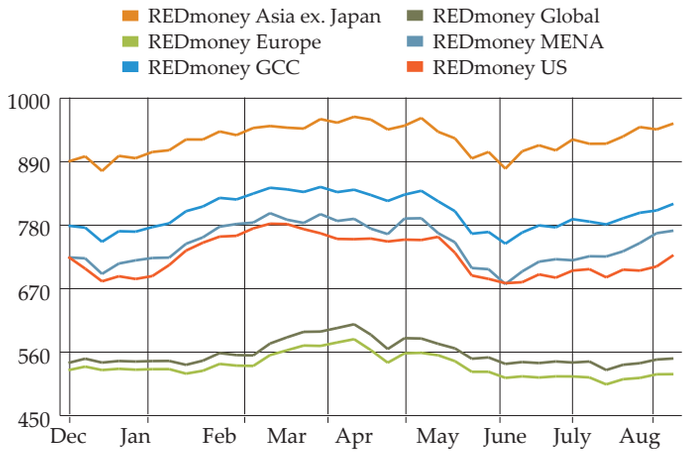
SAMI Halal Food Participation (All Cap) *6 months*



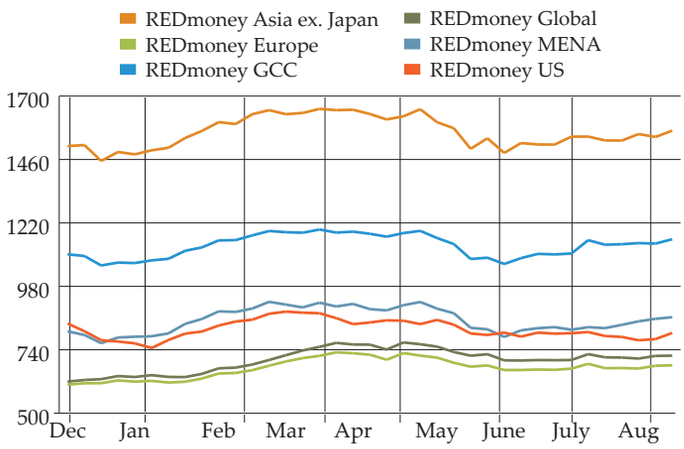
REDmoney Global Shariah Index Series (All Cap) *6 Months*



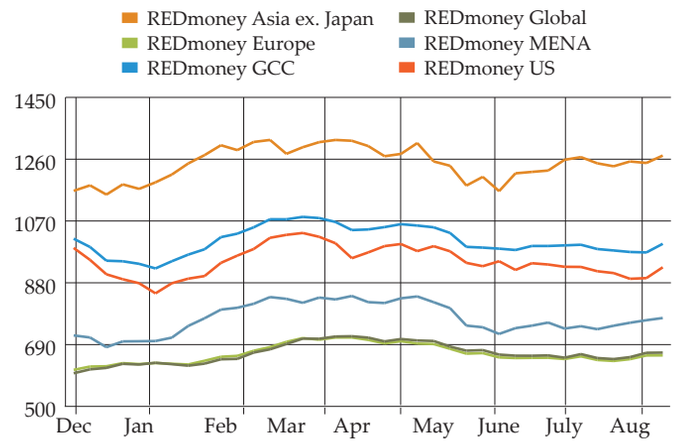
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



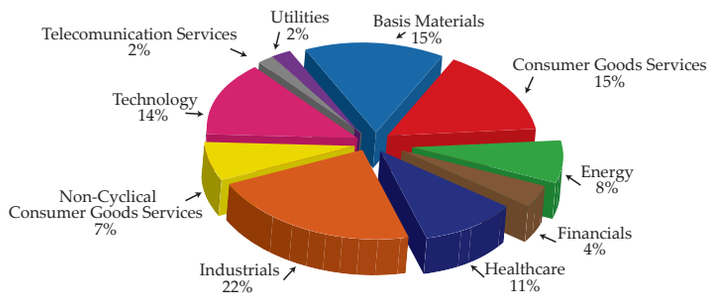
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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®

For further information regarding REDmoney Indexes contact:

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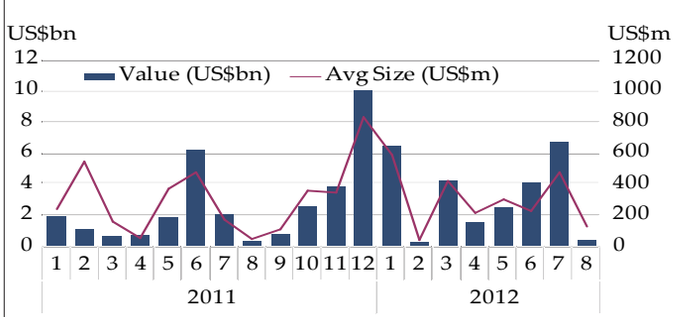
Tel +603 2162 7800

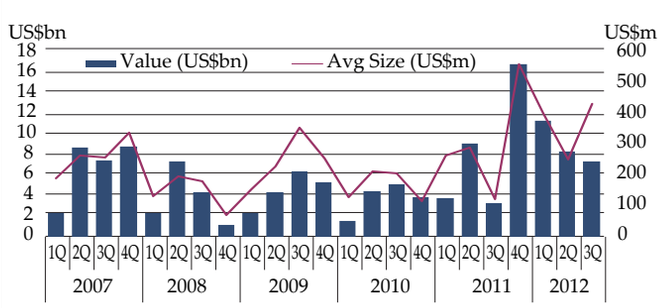
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
9th Aug 2012	Kuala Lumpur Kepong	Malaysia	Sukuk Ijarah	Domestic market public issue	322	CIMB Group, Maybank Investment Bank
26th Jul 2012	SME Bank	Malaysia	Sukuk	Domestic market public issue	157	KFH, AmInvestment Bank, Maybank Investment Bank
19th Jul 2012	Kimanis Power	Malaysia	Sukuk	Domestic market public issue	272	HSBC, CIMB Group
17th Jul 2012	Aman Sukuk	Malaysia	Sukuk	Domestic market public issue	260	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
12th Jul 2012	Emaar Sukuk	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, HSBC, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Noor Islamic Bank, Al Hilal Bank, Barwa Bank
12th Jul 2012	First Resources (Singapore)	Indonesia	Sukuk	Foreign market public issue	189	RHB Capital
11th Jul 2012	State of Qatar	Qatar	Sukuk	Euro market public issue	4,000	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest, Barwa Bank
10th Jul 2012	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	753	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
6th Jul 2012	Cagamas	Malaysia	Sukuk	Domestic market public issue	158	RHB Capital
4th Jul 2012	EIB Sukuk	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, HSBC, Dubai Islamic Bank, Emirates NBD, Credit Agricole
25th Jun 2012	NUR Power	Malaysia	Sukuk	Domestic market private placement	157	Maybank Investment Bank
25th Jun 2012	Olayan Real Estate Company	Saudi Arabia	Sukuk	Domestic market public issue	173	HSBC, Riyad Bank
19th Jun 2012	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market public issue	800	Saudi National Commercial Bank, Standard Chartered Bank, BNP Paribas, HSBC, CIMB Group
12th Jun 2012	Jafz Sukuk	UAE	Sukuk	Euro market public issue	650	Standard Chartered Bank, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD
12th Jun 2012	Malaysian Airline System	Malaysia	Sukuk	Domestic market private placement	316	Maybank Investment Bank
11th Jun 2012	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	789	CIMB Group, Maybank Investment Bank
6th Jun 2012	Johor Corporation	Malaysia	Sukuk	Domestic market public issue	939	CIMB Group, Affin Investment Bank, AmInvestment Bank, Maybank Investment Bank
29th May 2012	Gulf Investment Corporation	Kuwait	Sukuk	Domestic market private placement	103	AmInvestment Bank
22nd May 2012	DIB Sukuk	UAE	Sukuk	Euro market public issue	500	Deutsche Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD
15th May 2012	BSF Sukuk	Saudi Arabia	Sukuk	Euro market public issue	750	Deutsche Bank, Citigroup, Credit Agricole

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	21.6	RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
2	State of Qatar	Qatar	Sukuk	Euro market public issue	4,000	9.0	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest, Barwa Bank
3	General Authority for Civil Aviation	Saudi Arabia	Sukuk	Domestic market private placement	4,000	9.0	HSBC
4	Saudi Electricity Company	Saudi Arabia	Sukuk	Euro market public issue	1,750	3.9	Deutsche Bank, HSBC
5	Manjung Island Energy	Malaysia	Sukuk Ijarah	Domestic market public issue	1,545	3.5	Lembaga Tabung Haji, CIMB Group
6	Dubai DOF Sukuk	UAE	Sukuk	Euro market public issue	1,250	2.8	HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Citigroup
7	Tanjung Bin Energy Issuer	Malaysia	Sukuk	Domestic market private placement	1,089	2.5	HSBC, OCBC, RHB Capital, DRB-HICOM, CIMB Group, Affin Investment Bank, Maybank Investment Bank
8	Aman Sukuk	Malaysia	Sukuk Musyarakah	Domestic market public issue	1,071	2.4	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
9	Perusahaan Penerbit SBSN Indonesia II	Indonesia	Sukuk Ijarah	Euro market public issue	1,000	2.3	Standard Chartered Bank, HSBC, Citigroup
9	EIB Sukuk	UAE	Sukuk	Euro market public issue	1,000	2.3	Standard Chartered Bank, HSBC, RBS, National Bank of Abu Dhabi, Citigroup, Emirates NBD, Dubai Islamic Bank, Emirates NBD, Credit Agricole
11	Johor Corporation	Malaysia	Sukuk	Domestic market public issue	939	2.1	CIMB Group, Affin Investment Bank, AmInvestment Bank, Maybank Investment Bank
12	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market public issue	800	1.8	Saudi National Commercial Bank, Standard Chartered Bank, BNP Paribas, HSBC, CIMB Group
13	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	796	1.8	RHB Capital, Kenanga Investment Bank, AmInvestment Bank
14	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	789	1.8	CIMB Group, Maybank Investment Bank
15	ANIH	Malaysia	Sukuk	Domestic market private placement	786	1.8	CIMB Group, Maybank Investment Bank
16	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	753	1.7	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
17	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	750	1.7	Standard Chartered Bank, BNP Paribas, Citigroup
17	BSF Sukuk	Saudi Arabia	Sukuk	Euro market public issue	750	1.7	Deutsche Bank, Citigroup, Credit Agricole
19	Jafz Sukuk	UAE	Sukuk	Euro market public issue	650	1.5	Standard Chartered Bank, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD
20	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	561	1.3	Maybank Investment Bank
21	TASNEE	Saudi Arabia	Sukuk	Domestic market private placement	533	1.2	HSBC
22	FGB Sukuk	UAE	Sukuk Wakalah	Euro market public issue	500	1.1	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Citigroup
22	Emaar Sukuk	UAE	Sukuk	Euro market public issue	500	1.1	Standard Chartered Bank, HSBC, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Noor Islamic Bank, Al Hilal Bank, Barwa Bank
22	DIB Sukuk	UAE	Sukuk	Euro market public issue	500	1.1	Deutsche Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD
22	Abu Dhabi Commercial Bank	UAE	Sukuk	Euro market public issue	500	1.1	Standard Chartered Bank, JPMorgan, Abu Dhabi Commercial Bank, Bank of America Merrill Lynch
22	ADIB Sukuk	UAE	Sukuk	Euro market public issue	500	1.1	Standard Chartered Bank, Nomura, HSBC, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Citigroup
27	Encorp Systembilt	Malaysia	Sukuk	Domestic market public issue	470	1.1	Hong Leong Bank, Kenanga Investment Bank, CIMB Group
28	Kuala Lumpur Kepong	Malaysia	Sukuk Ijarah	Domestic market public issue	416	0.9	CIMB Group, Maybank Investment Bank
29	MAF Sukuk	UAE	Sukuk Wakalah	Euro market public issue	400	0.9	Standard Chartered Bank, HSBC, Dubai Islamic Bank, Abu Dhabi Islamic Bank
30	SABB	Saudi Arabia	Sukuk	Domestic market private placement	400	0.9	HSBC
	Total				**44,500**	**100**	

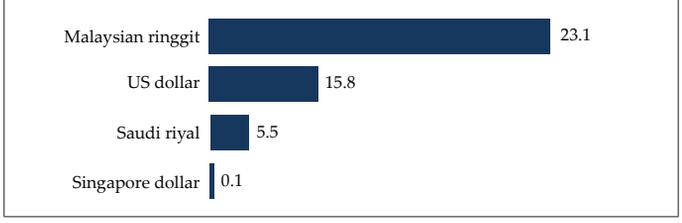
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	HSBC	8,931	24	20.1
2	CIMB Group	6,881	33	15.5
3	Maybank Investment Bank	5,917	36	13.3
4	AmInvestment Bank	4,123	19	9.3
5	RHB Capital	2,924	32	6.6
6	Standard Chartered Bank	2,492	15	5.6
7	Deutsche Bank	2,025	4	4.6
8	Citigroup	1,630	9	3.7
9	Lembaga Tabung Haji	1,137	5	2.6
10	Dubai Islamic Bank	868	7	2.0
11	Barwa Bank	863	2	1.9
12	QInvest	800	1	1.8
13	National Bank of Abu Dhabi	797	6	1.8
14	Affin Investment Bank	468	4	1.1
15	Emirates NBD	439	5	1.0
16	JPMorgan	425	2	1.0
17	Kenanga Investment Bank	422	2	1.0
18	BNP Paribas	410	2	0.9
19	Abu Dhabi Islamic Bank	409	5	0.9
20	Credit Agricole	350	2	0.8
21	Hong Leong Bank	252	2	0.6
22	DRB-HICOM	237	6	0.5
23	OCBC	235	5	0.5
24	Abu Dhabi Commercial Bank	218	2	0.5
25	KFH	162	3	0.4
26	Saudi National Commercial Bank	160	1	0.4
27	Riyad Bank	153	2	0.3
28	Bank of America Merrill Lynch	125	1	0.3
29	RBS	121	2	0.3
30	Public Bank	95	1	0.2
	Total	**44,500**	**119**	**100.0**

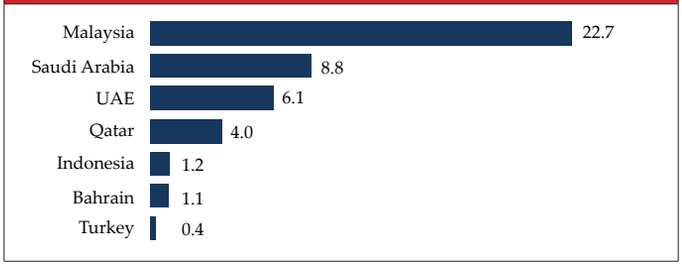
Top Islamic Finance Related Project Finance Mandated Lead Arrangers *12 Months*

	Mandated Lead Arranger	US$ (million)	No	%
1	Samba Financial Group	525	3	6.1
2	Arab National Bank	463	2	5.4
2	Public Investment Fund	463	2	5.4
4	HSBC Holdings	447	3	5.2
5	Sumitomo Mitsui Financial Group	404	2	4.7
6	Banque Saudi Fransi	386	2	4.5
7	KfW Bankengruppe	369	2	4.3
8	Mitsubishi UFJ Financial Group	360	1	4.2
9	SABB	324	1	3.8
10	Standard Chartered	317	3	3.7

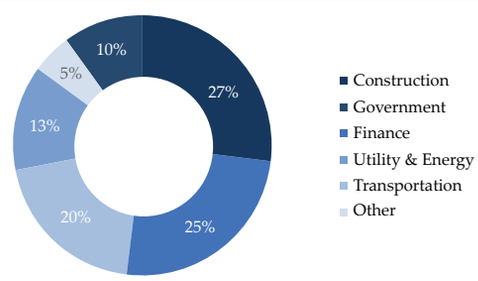
Sukuk Volume by Currency US$ (billion) *12 Months*



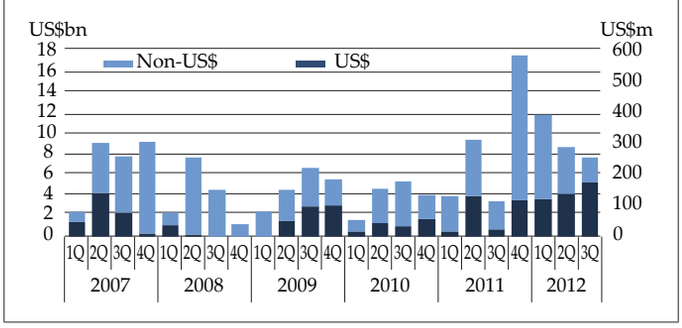
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	25.1
2	Skadden Arps Slate Meagher & Flom	3,281	1	19.6
2	White & Case	3,281	1	19.6
4	Al-Jadaan & Partners Law Firm	1,200	1	7.2
4	Baker & McKenzie	1,200	1	7.2
4	Clifford Chance	1,200	1	7.2
7	Baker Botts	917	1	5.5
7	Chadbourne & Parke	917	1	5.5
9	Rizvi, Isa, Afridi & Angell	164	1	1.0
9	Shearman & Sterling	164	1	1.0

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	Samba Capital	1,093	5	7.8
2	SABB	997	4	7.1
3	Banque Saudi Fransi	944	4	6.7
4	Maybank Investment Bank	819	5	5.8
5	Al-Rajhi Banking & Investment	753	3	5.3
6	CIMB Group	731	3	5.2
7	AmInvestment Bank	704	3	5.0
8	RHB Capital	631	1	4.5
9	Saudi National Commercial Bank	593	4	4.2
10	Saudi Hollandi Bank	538	2	3.8
10	Riyad Bank	538	2	3.8
12	Standard Chartered Bank	458	9	3.3
13	Noor Islamic Bank	447	5	3.2
14	Barwa Bank	422	3	3.0
15	Citigroup	412	6	2.9
16	Abu Dhabi Islamic Bank	400	7	2.8
17	Emirates NBD	315	4	2.2
18	HSBC	233	3	1.7
19	Arab National Bank	219	1	1.6
20	Qatar Islamic Bank	213	1	1.5
20	Qatar International Islamic Bank	213	1	1.5
20	Masraf Al Rayan	213	1	1.5
23	Arab Banking Corporation	209	4	1.5
24	Dubai Islamic Bank	203	2	1.4
25	Mashreqbank	185	2	1.3
26	National Bank of Abu Dhabi	175	2	1.2
27	Deutsche Bank	160	3	1.1
28	QInvest	156	1	1.1
28	Commercial Bank of Qatar	156	1	1.1
30	Al Hilal Bank	121	4	0.9

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

	Bookrunner	US$ (mln)	No	%
1	QInvest	467	1	12.4
2	Abu Dhabi Islamic Bank	420	5	11.2
3	Standard Chartered Bank	384	7	10.2
4	Citigroup	370	5	9.8
5	Emirates NBD	283	3	7.5
6	Noor Islamic Bank	254	2	6.7
7	Dubai Islamic Bank	243	2	6.4
8	National Bank of Abu Dhabi	211	2	5.6
9	Samba Capital	171	1	4.5
10	Maybank Investment Bank	166	3	4.4

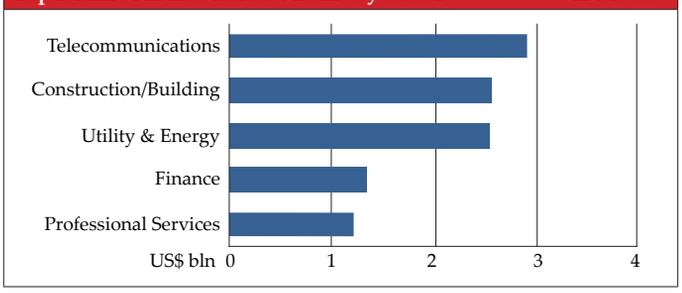
Top Islamic Finance Related Loans Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
13th Dec 2011	Barzan Gas	Qatar	5,442
12th Feb 2012	Mobily	Saudi Arabia	2,667
11th Jun 2012	DanaInfra Nasional	Malaysia	2,525
2nd Dec 2011	Hajr for Electricity Production	Saudi Arabia	1,981
14th Feb 2012	Power & Water Utility for Jubail & Yanbu	Saudi Arabia	1,200
13th Jun 2012	Jebel Ali Free Zone	UAE	1,198
25th Jun 2012	Bawabat Al Shamal Real Estate Company	Qatar	1,154
15th Oct 2011	Maaden Bauxite & Alumina	Saudi Arabia	929
15th Sep 2011	Dubai Ports World	UAE	850
27th Feb 2012	Government of Dubai	UAE	675

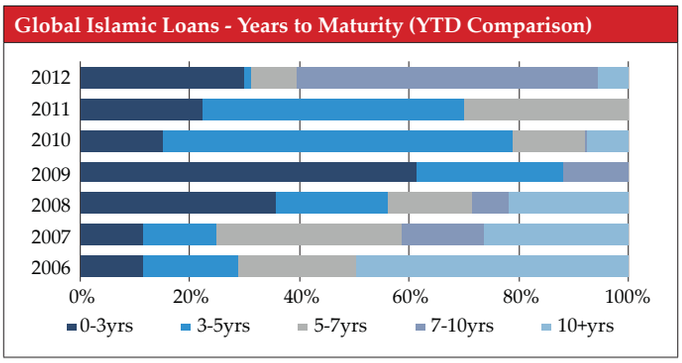
Top Islamic Finance Related Loans by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,703	6	40.5
2	Malaysia	2,971	5	21.1
3	UAE	2,350	7	16.7
4	Qatar	1,317	2	9.4
5	Turkey	1,107	5	7.9
6	Pakistan	227	6	1.6
7	Indonesia	183	4	1.3
8	Sri Lanka	175	1	1.2
9	Russian Federation	60	1	0.4

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: Mandy Leung (Media Relations)
Email: mandy.leung@dealogic.com Tel: +852 2804 1223

4th September 2012
IFN Roadshow Pakistan
Karachi, Pakistan (*REDmoney Events*)

6th September 2012
IFN Roadshow Sri Lanka
Colombo, Sri Lanka (*REDmoney Events*)

17th — 18th September 2012
3rd Middle East SME Forum 2012
Abu Dhabi, UAE (*Fleming Gulf*)

18th – 19th September 2012
Iraq Finance 2012, London, UK (*Symexco*)

25th September 2012
The 2nd Annual International Summit on Islamic Corporate Finance
Abu Dhabi, UAE (*MEGA Events*)

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

9th — 10th October 2012
4th World Islamic Retail Banking Conference
Dubai, UAE (*Fleming Gulf*)

14th — 16th October 2012
The International Islamic Finance Conference 2012
Abu Dhabi, UAE (*Emerad Group*)

17th — 18th October 2012
The SME Africa 2012
Johannesburg, South Africa
(*Fleming Gulf*)

17th — 18th October 2012
Middle East Takaful Forum
Manana, Bahrain (*MEGA Events*)

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

6th – 7th November 2012
Islamic Banking Summit: Africa
Djibouti, Africa (*MEGA Events*)

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

20th November 2012
IFN Roadshow Bangladesh
Dhaka, Bangladesh (*REDmoney Events*)

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

23rd November 2012
IFN Roadshow Thailand
Bangkok, Thailand (*REDmoney Events*)

28th — 29th November 2012
2012 International Real Estate Finance (IREF) Summit
London, UK (*ICG Events*)

3rd December 2012
IFN Roadshow Brunei
Brunei *(REDmoney events)*

3rd — 4th December 2012
AAOIFI World Bank Annual Conference on Islamic Banking and Finance
Manama, Bahrain (*AAOIFI*)

6th December 2012
IFN Roadshow Turkey
Istanbul, Turkey *(REDmoney events)*

9th — 11th December 2012
The 19th Annual World Islamic Banking Conference
Manama, Bahrain (*MEGA Events*)

17th — 18th December 2012
The 3rd Global Islamic Marketing Conference: Africa Rises
Cairo, Egypt *(International Islamic Marketing Association)*

Islamic Finance news

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