Islamic Finance news

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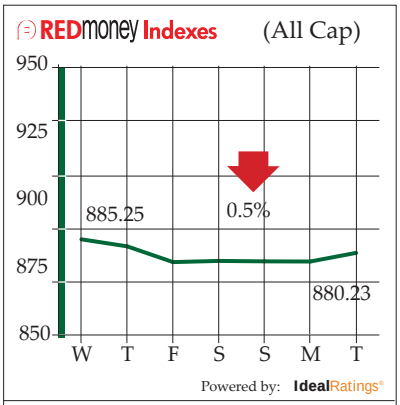

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HSBC: Good move or bad?

The recent announcement by HSBC to rein back its retail Islamic banking business has been received with mixed feelings. A pioneer in Islamic finance among conventional global banks, HSBC has a strong record in the industry and HSBC Amanah, its retail branch, is one of the most recognizeable Islamic retail brands. So what led to this decision — and what does it suggest for the future? We take a look at whether the bank's glass is half full… or half empty.

On the 4th October HSBC Group announced that effective immediately, it would close its Islamic retail operations in the UK, UAE, Bahrain, Bangladesh, Singapore and Mauritius; and focus its efforts solely on Malaysia and Saudi Arabia with a limited presence in Indonesia. Wholesale Islamic financing, investments and Sukuk would continue to be offered to its global client base through HSBC Saudi Arabia.

Restructuring

The move is touted as the next step in the global restructuring strategy launched by Stuart Gulliver, group CEO, in May 2011; which plans to cut up to US$3.5 billion in costs and around 30,000 jobs by 2014. According to Gulliver, HSBC possessed insufficient scale in 39 retail markets covering 420 branches, resulting in a total pre-tax loss of US$244 million in 2010. The strategy has since seen the bank exit 40 business lines including insurance and retail lines in the US, Thailand and South Korea; as well as banking operations in Pakistan.

But while in some quarters the radical decision has been met with praise for its realistic stance, others have expressed concern at the wider implications such a high-profile step could have for the future of the Islamic finance industry. So what drove the decision, and what can we expect now?

Major player

HSBC is one of the biggest financial institutions in the world. Its parent company, HSBC Holdings, has around 7,000 offices in over 80 countries across Europe, Asia Pacific, the Americas, the Middle East and North Africa (MENA); with assets of US$2.65 trillion as at the 30th June 2012. HSBC Bank, which covers the UK, serves over 16.1 million customers and employs over 50,000 people. HSBC Middle East, the largest international banking organization across the MENA region, operates in 14 countries through 273 offices with around 12,000 employees, and in 2011 recorded a pre-tax profit of US$1.49 billion. The bank has a 40% share in Saudi British Bank (through which its Islamic retail products in Saudi Arabia will now be distributed) and a 49% share in HSBC Saudi Arabia (which handles its investment banking activities in the kingdom); as well as a majority share in Dar Es Salaam Investment Bank.

HSBC launched its global Islamic financial services business in 1998, and HSBC Amanah has subsequently grown to be one

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Thinking outside the box

Editor's Note

Thanks to rapid growth and partly due to events in the global financial landscape, the Islamic finance industry has had to increasingly think outside the box in order to progress beyond what it has already achieved. This could involve innovating new products, accessing funds from previously untapped markets or, like HSBC as highlighted in our cover story this week, re-thinking unprofitable business lines in favor of more promising prospects

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DEALS

IDB approves US$170 million financing package for Iran

National Bank of Egypt considers Sukuk issuance

MNRB Holdings to establish US$49 million Sukuk program

Bahrain Mumtalakat Holding Company issues US$98.12 million Sukuk in Malaysia

Banque Saudi Fransi receives central bank approval for US$666.61 million Sukuk

QIIB issues US$700 million Sukuk at a profit rate of 2.69%

IDB privately places five-year, US$500 million Sukuk

International Islamic Trade Finance Corporation channels US$330 million in financing to government

Australia's **Solar Guys** announces Sukuk plan

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Barclays Bank Egypt mulls over introduction of Islamic products

Malaysian authorities probe gold trading firms utilizing Shariah structure of Al-Bai

ICD finalizing establishment of Ijarah leasing company in Kazakhstan

Meezan Bank announces 16% year-on-year growth in nine-month profit

Burj Bank reports US$1.54 million in first half pre-tax profit

Malaysian Muslim Consumers Association calls for leniency towards homebuyers

Gatehouse Bank advises on US$264.31 million central London property acquisition

Islamic finance makes its way onto the football pitch

Authority proposes to block Islamic finance windows operating in QFC

Crescent Wealth and **BLME** tie up for Sukuk investing portfolio

Dubai Bank and **Emirates Islamic Bank** launch Indian rupee remittance campaign

EFG Hermes and **QInvest** to complete merger by the end of 2012

IDB signs MoU with **World Bank** to collaborate in Islamic finance

SHUAA Capital to launch Islamic banking operations in early 2013

National Bank of Kuwait announces US$384.6 million in third quarter net profit

Central Bank of Oman finalizes Islamic banking regulatory framework

Barwa Bank bundles financial package for SMEs

Al Rajhi Bank reports dip in profits as other banks record growth

Shareholders approve **BankDhofar**'s Islamic banking window plan

Limitless to repay US$1.2 billion Islamic facility by 2016

QIB launches three-year investment product linked to Islamic banking stocks

TAKAFUL

ING Groep to dispose of Malaysian insurance business to **AIA Group**

Low Family Takaful penetration in the kingdom, says **Bahrain Insurance Association**

Takaful and insurance in the MENA region could see slower growth ahead, says **AM Best**

Government-backed Takaful protection for Malaysian paddy farmers

RATINGS

RAM reaffirms ratings on **Mukah Power Generation**'s US$216.48 million Sukuk program

RAM reaffirms ratings on **Besraya**'s US$227.4 million Sukuk

IIRA reaffirms ratings on **Bahrain Islamic Bank**

MOVES

JPMorgan Chase & Co appoints **Ahmed Saeed** as head of Middle East division

BankDhofar appoints members to Shariah supervisory board

HSBC: Good move or bad?

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of the most recognized global brands in Shariah compliant banking; pioneering the sector among conventional international banks and claiming to be: "The largest and most comprehensive Islamic proposition of any international bank." In combination with its market-leading activities in Islamic wholesale banking and Sukuk issuance, Shariah compliant retail banking has been a flagship for the brand for the last decade — so why the sudden exit?

All about profits

Patrick Humphris, the head of corporate media relations at HSBC Holdings, told Islamic Finance *news* that the bank was scaling back its retail Islamic business because: "We cannot continue to support areas which are sub-scale, or where returns are not acceptable." HSBC Holdings does not separately report results from HSBC Amanah, reporting instead by geographic region and industry sector, so comprehensive financial results from its Islamic business are not available.

However HSBC Amanah Malaysia, one of its biggest markets, reported pre-tax profit in 2011 of RM97.7 million (US$31.9 million) and first half profit in 2012 of RM28.9 million (US$9.4 million), up 23% from the same period last year. In comparison, the bank's total profit from Malaysia in 2011 was US$529 million with US$173 million deriving from retail banking, meaning that Islamic banking contributed around 20% to total retail banking profits – roughly similar to the overall estimated Islamic market share in the country of 23%.

In its other key Islamic retail market, HSBC saw a total profit of US$361 million from Saudi Arabia with US$57 million from retail banking. With an estimated 38% share of the total banking market, this indicates Islamic banking profits for HSBC in Saudi Arabia of around US$21.6 million. In Indonesia, where it plans to retain a limited presence, HSBC saw 2011 pre-tax profit of US$259 million with US$6 million coming from retail banking. Given that the Islamic retail market in the country is less developed than in the other two markets and accounts for only around 3% of the total banking market, this suggests an Islamic banking profit of just US$180,000 for the bank.

> ***"In its other Islamic retail markets the group saw around US$11 million in profit — just 0.2% of its total global retail banking profit"***

Moving on

Its recent announcement confirmed that even after the cuts, the HSBC group expected to retain 83% of its Islamic banking business. With total Islamic banking profits in 2011 from its three remaining markets estimated by Islamic Finance *news* to be around US$53.7 million, this means that in its other Islamic retail markets the group saw around US$11 million in profit — just 0.2% of its total global retail banking profit of US$4.27 billion and 0.05% of the group's total 2011 profit of US$21.9 billion. This is lower than the retail banking profit in any of HSBC's 80 markets worldwide apart from Turkey, Qatar and Indonesia.

Small wonder then, perhaps, that according to Humphris: "We will be focusing our activities in Islamic finance in areas where we have sufficiently large business and scale; and where the returns and future prospects are strong."

Industry implications

However, the concern lies in whether this should be seen as a specific blow for the Islamic finance industry. Timucin Engin, an associate director for Central & Eastern Europe, the Middle East and

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CLOSING BELL

BNM to issue Sukuk

MALAYSIA: Bank Negara Malaysia (BNM), the central bank, will issue two Sukuk of RM1 billion (US$326.4 million) each maturing in January and March 2013.

Authority backs merger

EGYPT: The Egyptian Financial Supervisory Authority has ratified EFG Hermes' EGM, held on the 16th September 2012, at which its shareholders approved its merger with QInvest. The backing provides a boost to the completion of the transaction, which is expected to close by the end of December this year.

Masraf Al Rayan reports profit

QATAR: Masraf Al Rayan has announced a net profit of QAR354.8 million (US$97.45 million) for the third quarter of 2012, 10.5% higher than a year earlier.

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Africa with Standard & Poor's, thinks not: "I don't think it will necessarily have a meaningful impact. The outlook for the Islamic banking sector in the Middle East remains strong and Islamic banks in the region, particularly in Qatar, are continuing to grow at a fast pace. This development seems to be bank specific — not due to market factors."

Megat Shah, the senior executive director of assurance at Ernst & Young in Malaysia, agrees: "Despite industry observers commenting on issues surrounding the lack of scale and increasing costs (and therefore lack of profitability) associated with Islamic banking, the growth in Islamic banking assets are certainly one of the highest within the financial services industry over the past few years, and are expected to continue to grow at similar rates over at least the medium-term."

Value proposition

He suggests that while HSBC may not have been successful, this is no reason to suggest that other banks could not take advantage of the strong growth prospects in the sector. "I believe this in itself is a strong value proposition for the local and international financial institutions alike to enter or remain in the Islamic banking market. Beyond this, there is a need for large institutions and Islamic banking to co-exist, i.e. greater participation by the international players within Islamic banking means greater branding and therefore growth within the overall Islamic banking sector."

With HSBC having exited around 20 markets already in its retrenchment exercise however, this is not looking promising. It also suggests that in the Islamic retail market, local regional banks may be winning the battle against international windows in terms of competitiveness.

Jawad Ali, the managing partner of King & Spalding Middle East and the global deputy head of the firm's Islamic finance practice based in Dubai, explains that: "If you are going to compete in the market and you are a financial institution like HSBC — not a full Islamic bank, but just a window— then the majority of people in the markets who don't have an exclusive Islamic banking system are going to compare what you offer to that of your conventional side. They will compare products, and it is going to come down to a price comparison for the individual."

Play to your strengths

"In fact," says Jawad, "the success of Islamic retail banking was never a foregone conclusion." There is a growing realization in the industry that just because a country has a Muslim population — even a Muslim majority population — does not necessarily mean that these people will voluntarily choose Islamic banking if it does not meet their needs or offer a price advantage.

> ***"People have been leaving HSBC Amanah and moving to other jobs, as it became increasingly clear which way the wind was blowing"***

"The strength of Islamic finance is on the wholesale and investment side," suggests Jawad. "What HSBC seems to have done is to try and double up on its strengths. I would suggest that they have looked at the performance of their retail banking operations in these countries for the past three or six years, examined their own record in these jurisdictions, and found that offering retail Islamic banking products and services in these particular countries is not profitable and they are not reaping the returns they thought they would reap; and so they now plan to focus their efforts in jurisdictions where there is depth in the Muslim population and where the laws of the land provide for Islamic banking and there is more of a level playing field for Islamic retail products and less of a competitive advantage for conventional products."

Engin agrees: "Although HSBC is an important bank in the Gulf region, its Islamic retail business outside Saudi Arabia is not necessarily very large relative to the overall size of the market."

Capital focus

In contrast, HSBC is the market leader in Sukuk issuance; with twice the issuance volume of its nearest competitor, Maybank. According to Dealogic, HSBC arranged 28 Sukuk issuances worth US$10.12 billion over the last year, and is the top manager of Sukuk for 2012; while its subsidiary Saudi British Bank arranged six Islamic financing facilities valued at US$1.68 billion.

It looks, therefore, as if the bank has simply decided to play to its strengths and focus on the areas where it makes the most money. Tim Doyne, the head of regional communications Middle East at HSBC, confirmed exclusively to Islamic Finance *news* that: "Capital market activities: sales and trading of Sukuk will continue in Dubai and London (as well as Saudi Arabia and Malaysia). Origination and structuring of capital markets instruments will be handled from Saudi Arabia and Malaysia, as will Islamic products that require Shariah oversight for execution and documentation, such as profit rate swaps, Murabahas, and Waads." So we should hopefully expect a continued strong performance from the group in the capital markets.

Cash flow crisis?

However, some market players have expressed concern that the cuts in its retail Islamic business could have implications for its investment banking business. In many markets the retail side typically provides an easy cash flow for investment projects and capital funding. Could the loss of retail flow affect HSBC's capital markets activity? Jawad thinks not. "If HSBC had a reliable flow of funds coming from Shariah compliant depositors accounts that it could use to underwrite transactions, then that would be one thing. But I don't think that the threshold of its Islamic deposits has reached a level where it has rendered HSBC dependent on that source of funding to finance its debt capital markets activities."

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Internal concerns

Nevertheless, some fears remain for the future of the group's Islamic finance business; in particular with regards to its human capital. HSBC is well known for its high quality and large team of Islamic finance experts. With the new cutbacks, will they be able to afford to maintain the current headcount?

Although the group has made no official statement regarding any job cuts associating with the reduction of its Islamic banking division, Doyne told Islamic Finance *news* that: "There is a small central Amanah team which will be affected, which is located in Dubai." When asked whether this would affect any senior executive management HSBC refused to comment. However, one UAE-based banker commented that: "People have been leaving HSBC Amanah and moving to other jobs, as it became increasingly clear which way the wind was blowing."

It would be a great shame if the streamlining of its Islamic operations resulted in a negative impact for HSBC's overall Islamic operations — and for its reputation in the market. However, Jawad is optimistic. "They have chosen three jurisdictions to focus on, and their coverage in these jurisdictions will need additional staff if it is to grow. So my hope is that the talent in their Islamic banking team will not be wasted — I would hope they are looking at this as a reallocation of resources, rather than a shrinking of their offering."

How full is the glass?

So is the move by HSBC a good thing or a bad thing? Well it all depends on your point of view. Any institution that pulls out of a sector or jurisdiction citing sub-scale performance is sending a clear message to the market that this has not been a successful endeavor, and this will inevitably reflect on its overall reputation. Looking at the glass as half empty; the bank has made a strong statement that Islamic retail banking in these regions is not worthwhile. Megat comments that: "It is sad to hear of HSBC's decision to close down its Islamic retail banking business ... this is definitely a step back for the industry as a whole."

However, there is another view to take. Jawad points out that: "The Islamic finance market and the players in that market are maturing. Now, rather than indiscriminately going around the world and entering markets just because there are Muslims in those countries, people have sufficient data and a sufficient track record that they can choose to focus on certain jurisdictions to take their operations there from one level to the next. They are not afraid to recognize that they have not done well in one jurisdiction and to identify the ones where they can do better."

Growing up

If the recent decision by HSBC is a sign that the Islamic finance industry is maturing to the point where it can discriminate between profitable markets and non-profitable ones, then that is a glass half full indeed. Perhaps in the future the retail sector will develop to a point where all Muslim markets provide real opportunity *(see cover story next week on the future of Islamic retail banking)*.

For now, however, it looks like rather than taking a step back in Islamic finance, HSBC may instead have taken a brave step forward. — *LM*

Thinking outside the box

Editor's Note

Thanks to rapid growth and partly due to events in the global financial landscape, the Islamic finance industry has had to increasingly think outside the box in order to progress beyond what it has already achieved.

This could involve innovating new products, accessing funds from previously untapped markets or, like HSBC as highlighted in our cover story this week, re-thinking unprofitable business lines in favor of more promising prospects. As our cover story notes, HSBC's move should not necessarily be seen as a bad one, but possibly as an example of how best to manage Islamic finance as a business.

In addition to considering how to accomplish further growth, our industry has of late also had to take into account the impact of new developments, such as the introduction of the Tahawwut Master Agreement and the Mubadalatul Arbaah frameworks, which as Fara Mohammad, a senior lawyer and Islamic finance consultant, suggests in her contribution, could take Islamic financial institutions some time to integrate into their systems.

Another issue which our industry struggles with is the use of derivatives, leading to the continued search for alternatives; and this week, Salman Ahmed Shaikh of Pakistan's Institute of Business Administration, shares his thoughts on a possible replacement for the oft-debated instruments.

Meanwhile Muhd Jamil Abas Abdul 'Ali @ James Chiew of law firm Abrahams, Davidson & Co writes the first in a three-part series on Islamic finance in Brunei; and Abass Mohamed of Takaful Insurance of Africa contributes our Takaful feature on Takaful in Kenya.

Our IFN Reports cover the performance of Shariah compliance stocks and the clash of Shariah compliance in Malaysia and the Middle East; and our IFN Correspondents write on developments in Afghanistan, Singapore and the Czech Republic.

Meet the Head profiles Khaldoun Malkawi, the chairman and CEO of Al Sanabel International Holding; and our Case Study highlights Bahrain Mumtalakat Holding Company's US$98.08 million Sukuk issuance.

DEALS

IDB funds Iran projects

IRAN: The IDB will provide a US$170 million financing package to fund the establishment of four water treatment plants in the country.

Sukuk in the works?

EGYPT: National Bank of Egypt is reportedly considering the issuance of a Sukuk and could hold non-deal investor meetings in Asia in the third week of October, said Tarek Amer, its chairman.

Sukuk in the pipeline

MALAYSIA: MNRB Holdings has proposed to establish a five-year Sukuk Mudarabah program worth up to RM150 million (US$49 million) to refinance a RM120 million (US$39.17 million) short-term revolving credit facility due on the 10th December 2012.

The remainder of the funds raised will be put towards its working capital.

The reinsurer and re-Takaful operator also announced that it has secured a RM200 million (US$65.28 million) revolving credit facility from Standard Chartered Saadiq.

Mumtalakat issues Sukuk

GLOBAL: Bahrain Mumtalakat Holding Company issued a RM300 million (US$98.12 million) Sukuk on the 4th October 2012, as the first series of its RM3 billion (US$981.22 million) Sukuk Murabahah program.

In an announcement on the Malaysian central bank's website, Standard Chartered Saadiq, which was the lead arranger, principal advisor and lead manager of the deal, said that the five-year notes will pay a profit rate of 5.5%. CIMB Investment Bank was also a lead manager on the transaction.

Saudi bank in Sukuk plan

SAUDI ARABIA: Banque Saudi Fransi has received approval from the Saudi Arabian Monetary Agency to issue up to SAR2.5 billion (US$666.61 million)-worth of Sukuk with a maximum tenor of five years to increase its capital and fund its financing activities.

QIIB sells Sukuk

QATAR: Qatar international Islamic Bank (QIIB) has issued a US$700 million, five-year Sukuk at a profit rate of 2.69%.

The sale was oversubscribed more than seven times, with its orderbook surpassing US$5 billion.

HSBC, QNB Capital and Standard Chartered Bank were joint lead managers and joint bookrunners for the sale, while Qatar Islamic Bank and CIMB Investment Bank acted as co-managers.

IDB issues Sukuk

GLOBAL: The IDB has privately placed a US$500 million Sukuk maturing in 2017 pursuant to its US$6.5 billion Sukuk program.

The papers were priced at 30 basis points over three-month Libor, in a transaction arranged by CréditAgricole.

ITFC funds for Egypt

EGYPT: The International Islamic Trade Finance Corporation (ITFC), a unit of the IDB, will provide US$330 million in financing to the Egyptian government to fund imports of wheat and food commodities.

The government will pay a profit rate of 3% for the financing, which will also be contributed by Arab Investment Bank, Bangladesh, Faisal Islamic Bank, Jordan Islamic Bank, National Bank for Development and United Bank.

Solar Guys could help shed light into Australian Sukuk market

AUSTRALIA: Local solar power firm Solar Guys has announced plans to issue a Sukuk to finance the development of a solar energy plant in Indonesia; in a funding plan that could help lead the way in a country where Islamic bond issuances have yet to see the light of day.

The plan is led by Mitabu Australia, which develops financing options to fund energy infrastructure projects using solar power technology; and will manage the funding of the Indonesian project.

The Sukuk is expected to see investments from Malaysia and the Middle East.

The Indonesian solar energy project, which targets the provision of one solar watt per person in the country, is part of an agreement with the Indonesian government for Solar Guys to build solar power plants in Indonesia.

Solar Guys will act as the engineering, procurement and construction firm for the project.

Although an as yet untested market, Islamic bonds have gradually gained awareness in Australia, with local fund manager Crescent Wealth recently tying up with the Bank of London and The Middle East to provide investors exposure to Sukuk via a Sukuk investment portfolio. Australian laws are also said to be already conducive for the issuance of Sukuk.

Solar Guys' plan could also pip National Australia Bank's (NAB) earlier speculated Sukuk sale as the maiden Islamic bond issuance by an Australian firm. Reported in April this year, NAB is said to have been in talks for a possible Sukuk sale, with further details on the plan's development remaining scarce.

DEAL TRACKER Full Deal Tracker on page 32

ISSUER	ISSUING CURRENCY	SIZE (US$)	DATE ANNOUNCED
MNRB Holding	RM	49.17 million	5th October 2012
Banque Saudi Fransi	SAR	666.6 million	4th October 2012
Edaran SWM	RM	327.8 million	4th October 2012
International Islamic Liquidity Management Corporation	US$	200 to 500 million	4th October 2012
Turkish Airlines	TBA	TBA	4th October 2012

AFRICA

Barclays Egypt going Islamic?

EGYPT: Barclays Bank Egypt is said to be mulling over the introduction of Islamic banking products in the country to follow on from the progress of its Islamic business in South Africa, offered via its Absa unit, according to Sherif Elbehery, its director of strategy, planning, marketing and corporate affairs.

ASIA

Gold trading probed

MALAYSIA: Four local gold trading companies which use the Shariah structure of Al-Bai, or sale and purchase, have been accused of financial wrongdoing by the central bank, the attorney general's chambers and the Royal Malaysian Police.

The companies, Caesar Gold, Genneva Malaysia, Pageantry Gold and Worldwide Far East, possessed assets that did not match amounts collected from their investors, said the authorities after conducting a probe into their activities.

They also said that the schemes operated by the companies are believed to be unsustainable to provide the promised high monthly returns, with the companies also unable to provide their buy back guarantee on the gold.

Investigations into the companies followed a raid on their businesses by the authorities on the 2nd October this year.

Ijarah company in Kazakhstan

KAZAKHSTAN: The Islamic Corporation for the Development of the Private Sector (ICD), a unit of the IDB, is in the midst of establishing an Ijarah leasing company in the country with a consortium of foreign and local investors.

According to Khaled Al-Aboodi, CEO of the ICD, the company, which will have an initial capital of US$35 million, will support the growth of small and medium-sized enterprises in Kazakhstan.

He also noted that the country and others in the Commonwealth of Independent States (CIS) provide significant opportunities for Islamic finance, with Kazakhstan to also see the set-up of a Takaful company and its second Islamic bank, Fattah Finance, in the near future.

Solid growth for Meezan

PAKISTAN: Meezan Bank has announced a 16% year-on-year growth in net profit to PKR2.66 billion (US$27.85 million) for the nine months to the 30th September 2012, while total assets rose 19% to PKR239 billion (US$2.5 billion).

Burj Bank posts profits

PAKISTAN: Burj Bank has reported a pre-tax profit of PKR147 million (US$1.54 million) for the first half of 2012.

Leniency urged

MALAYSIA: The Malaysian Muslim Consumers Association has called on Islamic banks to stop demanding high payments from buyers of housing left abandoned by developers.

EUROPE

Gatehouse advises property buy

UK: Gatehouse Bank has acted as the investment and Shariah advisor for a GBP165 million (US$264.31 million) acquisition of a property in central London for an undisclosed entity from Malaysia.

The property comprises office, retail and residential space and houses the offices of law firm SJ Berwin.

Islamic finance makes its way onto the football pitch

UK: From news of GFH Capital's planned takeover of Leeds United Football Club (LUFC) to Muslim footballers taking a stand against sponsorship by Riba-related companies, Islamic finance has, of late, been cast in the spotlight of the 'beautiful game'.

It has been speculated that Demba Ba, Papiss Cisse, Cheick Tiote and Hatem Ben Arfa, all Muslim players for Newcastle United Football Club (NUFC), could choose not to don their side's kit which is set to be fitted with the logo of the club's new sponsor, short-term money lender, Wonga. The sponsorship deal is seen to potentially put off the side's Muslim players who may not

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Authority proposes to block Islamic finance windows operating in QFC

QATAR: The Qatar Financial Center (QFC) Regulatory Authority has released a consultation paper seeking feedback on its proposal to prohibit Islamic finance activities carried out through windows in the QFC.

The plan follows the Qatar Central Bank's ban on Islamic banking operations by conventional banks implemented last year.

"The regulatory authority is proposing to make changes to its rules to remove the ability for authorized firms to commingle both conventional and Islamic regulated activities that it directly conducts under Shariah. These changes would require firms to operate as either a conventional finance or Islamic finance firm," it said in a statement. The proposal also extends to Takaful and other Islamic finance business windows in the QFC, although there are currently no such activities undertaken in the center.

Its consultation paper noted that Islamic finance has continued to expand in Qatar, the GCC and globally over the last few years. "However, there has been continuing debate around the regulatory framework for Islamic financial institutions and its relationship to the regulatory framework for conventional financial institutions, particularly with regard to allowing conventional financial institutions to operate Islamic branches and Islamic windows," it added.

The authority also disclosed that it recently reviewed its approach to the regulation of Islamic windows, focusing on the regulatory approach to Islamic windows internationally and the existing levels of Islamic window businesses in the QFC.

While noting that there are advantages and disadvantages to the window model, it ultimately found that there were "significant challenges" in regulating and supervising banks which carry out conventional and Islamic banking; current limited business conducted through Islamic windows in the QFC; and opportunities for regulatory arbitrage in allowing Islamic windows to continue in the QFC while they are not allowed elsewhere in Qatar.

The authority's proposals are open for public consult until the 12th November 2012.

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want to be associated with non-Shariah compliant practices.

The possible boycott would not be the first time Muslim players have spoken up for their religion. In 2006, Frédéric Kanouté, a Muslim who was playing for Spanish team Sevilla Fútbol Club at the time, refused to wear his team's shirt as it displayed the logo of a gambling website.

NUFC's sponsorship deal has also been slammed for promoting easy credit at allegedly exorbitant interest rates, especially as Newcastle has been shown to have the highest personal insolvency rate in the UK, at 35.2% for every 10,000 adults, according to data from R3, a trade body for insolvency professionals.

Meanwhile, in the latest development of the GFH Capital-LUFC deal, the two parties have issued a joint statement clarifying certain points of the transaction; noting that the investment firm has been in talks for the transaction with Ken Bates, the football club's owner and chairman, since June this year; and not with the Leeds United Supporters Trust.

Salem Patel, a director and the chief investment officer at GFH Capital, also said that: "Both GFH Capital and the current owners of LUFC are working hard to ensure a swift conclusion to this deal as possible," adding that the firm will be engaging with LUFC supporter groups and their members as soon as it is able. All parties are currently restricted by a confidentiality clause from providing too many details on the transaction.

GFH Capital has also brushed off speculation that it will have trouble funding its potential takeover of LUFC due its parent, Gulf Finance House's, financial woes following the 2008 financial crisis.

GLOBAL

Sukuk for Australian investors

GLOBAL: Australian wealth manager Crescent Wealth has partnered with Bank of London and The Middle East (BLME) to provide investors of the Crescent Islamic Cash Management Fund with exposure to Sukuk investments through a portfolio managed by BLME.

Remitting rupees

GLOBAL: Dubai Bank and Emirates Islamic Bank have launched a three-week Indian rupee remittance campaign, allowing customers to remit funds to India at a reduced exchange rate and zero processing fees.

Merger imminent

GLOBAL: The planned merger between Egypt's EFG Hermes and Qatar-based QInvest is expected to be completed within the next two months, according to Mona Zulficar, the non-executive chairperson of EFG Hermes.

QInvest, which will take up a 60% stake in the new entity, is also said to be laying off employees from its asset management and brokerage businesses.

Partnership for Islamic finance

GLOBAL: The IDB has signed an MoU with the World Bank to establish a framework to collaborate on the development of Islamic finance.

The agreement covers knowledge-sharing; the conceptualization of ideas to foster the growth of Islamic finance; increasing research and awareness on risk management for Islamic financial institutions and capacity building in the Shariah compliant financial industry.

MIDDLE EAST

SHUAA plans Islamic business

UAE: SHUAA Capital has applied for an Islamic banking license and plans to launch the business in the first quarter of 2013, according to Sheikh Maktoum Hasher Al Maktoum, its executive chairman.

He added that the bank will target Shariah compliant financing for small and medium-sized enterprises.

NBK reports growth

KUWAIT: National Bank of Kuwait (NBK), which owns 58.34% of Shariah compliant Boubyan Bank, announced a net profit of US$384.6 million for the third quarter ended the 30th September 2012, compared to a net profit of US$280.7 million a year earlier.

continued...

RATINGS

Ratings reaffirmed

MALAYSIA: RAM has reaffirmed its long-term rating for Mukah Power Generation's RM665 million (US$216.48 million) Senior Sukuk program at 'AA3'; with a stable outlook.

Standing strong

MALAYSIA: RAM has reaffirmed its long-term ratings on toll road operator Besraya's RM700 million (US$227.4 million) at 'AA3' with a stable outlook.

Good progress

BAHRAIN: IIRA has reaffirmed its ratings on Bahrain Islamic Bank 'BBB/A-2' with a stable outlook.

continued...

For the nine months to the 30th September, its net profit rose to US$814.4 million from US$802.4 million in the same period of 2011. As at the 30th September, its total assets amounted to US$58.1 billion.

Meanwhile, Boubyan Bank reported a net profit of KWD7.6 million (US$27.04 million) for the nine months to the 30th September 2012, up 10.14% from a year earlier.

During the period, its net financing income rose 33% year-on-year to KWD 38 million (US$135.21 million), while total assets rose 21% from a year earlier to KWD1.8 billion (US$6.4 billion) as at the end of September this year.

Framework finalized

OMAN: The regulatory framework for Islamic banking in the sultanate has been finalized, with amendments to its banking law now in progress, according to Hamood Sangour Hashim Al Zadjali, the executive president of the Central Bank of Oman.

Islamic suite for SMEs

QATAR: Barwa Bank has launched Qotof, comprising bundled financial products initially sold separately to increase cost efficiency of the financing; targeted at small and medium-sized enterprises (SMEs).

Saudi banks report results

SAUDI ARABIA: Banks in the kingdom have reported a mixed set of results for the third quarter of 2012, with Al Rajhi Bank, one of the largest banks in the kingdom and its biggest Islamic bank, recording a 3.61% year-on-year dip in net income to SAR1.87 billion (US$498.63 million).

The bank however recorded a 14% growth in operating income to SAR3.64 billion (US$970.59 million) and a 5.1% expansion in profit from financing and investments to SAR2.41 billion (US$642.62 million).

Meanwhile, other banks which have reported results for the period include Arab National Bank (ANB) and Riyad Bank, which booked increases in profit driven by higher operating income. ANB's net profits increased by 10.3% to SAR573 million (US$152.78 million), while Riyad Bank reported a 5.8% growth in net income to SAR840 million (US$223.97 million).

Nod for Islamic window

OMAN: BankDhofar's shareholders have approved the bank's proposal to launch Islamic banking services via a window operation as well as the appointment of a Shariah supervisory board.

Limitless extends repayment

UAE: Property developer Limitless has concluded a deal with banks including The Royal Bank of Scotland and Pakistan's United Bank to restructure a US$1.2 billion Islamic financing facility originally due in March 2010.

Ali Rashid Lootah, the firm's chairman, said that Limitless will repay the funding by 2016, without disclosing any further details on the restructuring.

The firm has announced however that it has serviced all profit payments on the facility since securing it in 2008.

New investment from QIB

QATAR: Qatar Islamic Bank has launched Masaref, a three-year capital-protected investment with exposure to a basket of equities comprising the bank itself, Masraf Al Rayan, Al Rajhi Bank, Alinma Bank and Bank AlJazira.

Coming up...

Volume 9 Issue 42 — 24th October 2012

Meet the Head
Mohamad Donia, CEO, IdealRatings

Features
Islamic leasing finance laws in Saudi Arabia; By Ahmed Butt, Of Counsel, Simmons & Simmons Middle East.

Islamic finance wealth management financial planning; By Ali M Shervani, CEO, Consigliori Consultants.

Islamic law of wills: An overview; By Hamid Harasani, consultant to Taylor Wessing, UK.

Takaful: An ethical dimension of risk management; By Dr Syahida Abdullah, researcher at the International Shari'ah Research Academy for Islamic Finance.

MOVES

JPMorgan Chase & Co

GLOBAL: JPMorgan Chase & Co has appointed **Ahmed Saeed** as the head of its Middle East business.

Ahmad was previously the managing director of investment banking at Nomura Holdings (Dubai).

BankDhofar

OMAN: BankDhofar has appointed four scholars to its Shariah supervisory board: comprising **Shaikh Dr Salim Ali al Dhahab**, **Shaikh Dr Mohamed Ali al Lawati**, **ShaikhHumoud Abdullah al Rashidi** and **Shaikh Ahmed Awadh Al Hassaan**.

The measure of Islamic markets

Islamic finance industry is on a roll this year with Sukuk issuances soaring to over US$68 billion, the highest ever in the industry, and hopes of topping the US$100 billion mark by year end.

Shariah compliant stocks globally have also showed positive signs despite the ongoing uncertainties in the Eurozone. According to report released by S&P Dow Jones Indices on the 3rd October, the Dow Jones Islamic Market (DJIM) Titans 100 Index, which measures the top 100 global Shariah compliant stocks, finished up 2.76% in September; although it underperformed its conventional counterpart, the Dow Jones Global Titans 50 Index, which measures the world's 50 largest companies and registered a 2.95% gain over the same period.

However, Islamic indices regionally outperformed conventional indices. The DJIM Asia/Pacific Titans 25 Index, which measures the performance of 25 of the leading Shariah compliant stocks in the Asia Pacific region, advanced 4.4% in September; while the Dow Jones Asian Titans 50 Index increased by 3.06%. A positive performance was also seen in Europe, where the DJIM Europe Titans 25 Index surged 3.16% in September compared to the conventional Dow Jones Europe Titans 80, which advanced 2.51%.

Tariq Al-Rifai, the director of Islamic market indices at S&P Dow Jones Indices, during his presentation at the recent IFN Asia Forum 2012, pointed out that the Islamic index had greatly outperformed its conventional counterpart in the long term. He notes that the first surge that led to the outperformance came about in 1996 with the 'dotcom' boom, as these Islamic indices were highly weighted in the technology sector.

In the shorter-term, Tariq noted that the performance of the Islamic index when pitted against the conventional index varied as it depended on each of the markets. He said that despite Malaysia's strong performance (with the DJIM Malaysia Index regarded as the best performing index globally in the 21-month period beginning January 2011), the Islamic emerging market index (DJIM Emerging Markets) in which the country was grouped was the poorest performer during the same period.

S&P Dow Jones Indices in its September report revealed that the Islamic index of Sri Lanka was not only the best-performing Islamic index in Asia (in terms of percentage) but also the best-performing market in the Asia Pacific region, with the DJIM Sri Lanka Index closing 21.65% higher as at the 28th September than the previous month, as well as outperforming its conventional counterpart (DJ Sri Lanka Total Stock Market Index) by 4.52%. The poorest-performing Islamic index in the Asian region was the DJIM Singapore Index, with a mere 0.15% increase from the previous month, and underperforming its conventional counterpart by 3.24%.

During the presentation Tariq also raised the issue of the Arab Spring in the Middle East, suggesting that its impact on the regional markets had in fact been only minimal and temporary. Out of the three markets highlighted, Kuwait and Saudi Arabia witnessed double the average volume of shares traded in the first half of 2012 compared to the corresponding period last year; while the UAE experienced a 50% increase.

On investing trends, Tariq was of the view that investors preferred 'back to basics' investing styles that were not complex or difficult to explain; and that hedge funds and derivative-type products hold little attraction for investors. "A lot of investments discussed — hedging, derivatives and hybrids — are well developed in the conventional space. In Islamic investing, there is not much interest. 'Plain vanilla' is understated, because there is a lot to do in coming up with products that do not require these complicated tools. I think simplicity is what investors are looking for," he stated.

Islamic indices are evolving towards customized indices following the needs of increasingly sophisticated investors, according to Tariq. This was evident with S&P Dow Jones Indices' DJIM CHIME Index focusing on the China, India and the Middle East launched in January this year; designed to benchmark a new fund, the Tebyan CHIME Opportunities Fund, managed by Qatar-based Tebyan Asset Management. Tariq expects more customization in benchmarks in the Islamic finance industry going forward.

– RW

Saudi's Al Rajhi Bank posts negative surprise

Al Rajhi Bank, which announced on the 14th October 2012 a decline in net profit for the third quarter, is likely to have booked higher-than-expected provisions during the period, disappointing analysts who forecast a strong quarter for the kingdom's banks.

In a research note, NCB Capital said that: "Based on the preliminary results, we estimate an 85% year-on-year growth in provisioning to SAR755 million (US$201.32 million), which was 86% higher than our estimate of SAR405 million (US$107.99 million)."

It also cautioned that while Al Rajhi continued to expand its credit portfolio, by 4.7% quarter-on-quarter and 23% year-on-year, this is likely to have come at the expense of margins, estimated to have declined 32 basis points on a year-on-year basis.

The glitch in the bank's profit follows two previous quarters of growth. Al Rajhi said that the decrease in profit during the third quarter, which declined 3.61% year-on-year to SAR1.87 billion (US$498.62 million), was due to an increase in total operating expenses.

The bank's performance contrasts that of its peers, such as Arab National Bank, Bank Albilad, Riyad Bank and Samba Financial Group, which recorded growth in profits in the third quarter; some as much as 40.5% higher than a year earlier. The industry's overall positive performance is in line with analyst expectations, with Riyad Capital earlier forecasting a 12% growth in third quarter profit for the kingdom's top 10 banks. Arqaam Capital has projected that Saudi's banks would record 8.7% higher profits during the period, outpacing the performance of banks in Kuwait, Qatar and the UAE.

In its report earlier this month, Moody's noted that the outlook for Saudi's banking system remains stable, driven by a benign operating environment, low "problem loan"/financing levels, strong loss-absorption capacity and a low-cost deposit base coupled with ample liquidity. "

However, these system-wide strengths will remain counterbalanced by structural weaknesses – high loan and deposit concentrations and the financial opacity of certain family conglomerates – over the 12-18-month outlook period," it said. – *EB*

BIMB Holdings to pay US$324.78 million for stake in Bank Islam Malaysia?

BIMB Holdings, which has received approval-in-principle from the central bank, Bank Negara Malaysia, to start talks with Dubai Financial Group (DFG) to take over its 30.5% shareholding in Bank Islam Malaysia, could pay a minimum of RM1 billion (US$324.78 million) for the stake.

"The average price-to-book value (P/BV) for previous transactions for banking mergers and acquisitions in Malaysia is about 1.8 times. Pegging this to Bank Islam's book value of RM2.79 billion (US$906.16 million) as at the end of December 2011, a 30.5% stake in Bank Islam would cost RM1.53 billion (US$496.93 million)," said CIMB Research.

Maybank IB Research, which has taken into account that DFG's interest in Bank Islam is believed to form collateral for US$330 million-worth of financing for DFG's parent, Dubai Group, estimated that Bank Islam's P/BV as at the end of June this year stands at around 1.15 times.

However, given Dubai Group's need for cash, with US$10 billion-worth of debt to restructure, the research firm said that: "We would think that a P/BV of 1.2-1.3 times for Bank Islam would thus be amenable to all parties." This translates into an acquisition cost of between RM1.1-1.2 billion (US$357.29-389.77 million) for the 30.5% stake.

> ***"BIMB's potential acquisition of the stake in Bank Islam is seen as a positive development as the purchase would pave the way for larger earnings contributions"***

BIMB's potential acquisition of the stake in Bank Islam, which could increase its ownership in the bank to 81.5%, is seen as a positive development as the purchase would pave the way for larger earnings contributions from the bank. However, a price tag of at least RM1 billion means BIMB would have to pay more for a smaller stake in Bank Islam than the RM828 million (US$268.99 million) DFG paid for its original 40% interest. DFG's shareholding in Bank Islam was diluted to 30.5% in 2010 after it chose not to participate in a cash call by the bank.

Analysts also remain mixed on how BIMB would pay for the transaction, with CIMB Research believing that the deal could be part-financed by the issuance of new capital. This is as the assumed acquisition price of RM1.53 billion would lead to a "drastic" reduction in BIMB's capital ratios.

Maybank IB Research said that the purchase would likely be funded via borrowings, adding that: "We do not foresee the need for a capital raising exercise given the group's strong capital ratios – core capital ratio of 1.44% and risk-weighted capital ratio of 15.6%." – *EB*

Clash of compliance

Shariah compliance in Malaysia has sparked heated debate in the past, most recently with Dr Amir Shaharuddin, the deputy dean (academic and research) at the faculty of economics and Muamalat at Malaysia's Islamic Science University, noting that Islamic financial institutions in the country are seen to be less Shariah compliant than those in the Middle East.

Some quarters have no qualms agreeing with this view. Speaking to Islamic Finance *news*, associate professor Dr Younes Soualhi, the former deputy dean of the Institute of Islamic Banking and Finance in Malaysia, said that there is a wide perception in the Middle East that Malaysia is not as Shariah compliant as the Middle East as it only follows the teachings of one school of thought, instead of following the view of the majority of Muslim scholars.

He noted that there is a tendency for Malaysian Islamic finance practitioners to fall into the usage of debt–structured instruments such as the Bal Al Inah and commodity Murabahah, which are viewed as 'un-Islamic' in the Middle East.

"Bal Al Inah and commodity Murabahah are viewed as two instruments which are used to circumvent the prohibition of interest and that is why they are not acceptable in the Middle East.

"In order to make Malaysia more Shariah compliant, they need to reduce their debt-based products and promote more equity-based products," he stressed.

> ***"Right now there is no real cooperation between Malaysia and the Middle East. We need to enhance this cooperation at all levels"***

"They also need to work more with their partners in the Middle East in order to develop products that could be traded both in Malaysia and the Middle East. Right now there is no real cooperation between Malaysia and the Middle East. We need to enhance this cooperation at all levels; in Shariah, regulation, product development and such," he added.

Dr Sami Ibrahim Al-Suwailem however, a a senior economist at the Islamic Financial Product Development Center in Saudi Arabia, said that: "I don't think we can make a blanket statement that the Middle East is more Shariah compliant than Malaysia," noting that the two jurisdictions might have differing levels of compliance in different areas."It seems as though that there is generally more public awareness regarding Shariah compliance in the Middle East than in Malaysia," he said.

This is largely due to the presence of more learning institutions devoted to Shariah and Islamic studies in the Middle East, although Malaysia has a better chance of becoming more Shariah compliant overall. "Since Malaysia is a single country, has a central Shariah board, an active central bank and a capital market authority, it is better positioned to take steps to ensure the adherence and compliance of the Islamic financial industry to Shariah standards. The Middle East [although] diverse in schools of thought in Shariah and [with] a multiplicity of authorities, is less homogenous and therefore less adaptable to centralized regulations," said Dr Sami. – *LR*

Potential of Islamic finance in the Czech Republic

CZECH REPUBLIC

By JUDr Ivana Hrdlickova
IFN Correspondent

The Czech Ministry of Foreign Affairs hosted a Czech-Pakistani business investment seminar on the 8th October 2012, with the presence of Czech businessmen, the deputy minister of foreign affairs, the director of the Board of Investment of Pakistan as well as other important businessmen. The seminar focused on bilateral relations between the Czech Republic and Pakistan and investment opportunities in both countries. There is no doubt that Islamic finance may play a significant role in business relations between the Czech Republic and Pakistan.

The Prague branch of the International Commercial Chamber (ICC Czech Republic) hosted the East-West Business Forum 2012, on the 18-19th September. This first business conference of the ICC Czech Republic with the OIC countries was organized under the auspices of the prime minister of the Czech Republic, the minister of foreign affairs, the minister of industry and trade and the first vice-president of the senate of the Czech Republic. The ICC of the Czech Republic and the embassies of the OIC countries organized this conference in the Czech Republic.

The main reason for organizing this conference was to establish and strengthen the economic and investment cooperation between the Czech Republic and the OIC countries. Special panels focused on trade between the Czech Republic and the OIC countries. A presentation by the economic advisor of the National Investment Board in Iraq, an expert from the ministry of economy of Turkey, an expert from Science University Malaysia Terengganu and financial experts from Algeria, Morocco and Iran explained the possibilities and opportunities for business. The conference was welcomed by the Czech business community and Islamic finance as an alternative has been mentioned several times.

JUDr Ivana Hrdlickova is a judge, Appellate Court Pardubice, Czech Republic. She can be contacted at ivana@hrdlickova.com.

Afghanistan is moving towards an Islamic capital market

AFGHANISTAN

By Zulfiqar Ali Khan, IFN Correspondent

The progress of Islamic banking and finance in Afghanistan has been admirable during the last three years. But what will happen when the North Atlantic Treaty Organization (NATO) forces leave the country in 2014 and the major donors reduce their aid?

The best option for the government of Afghanistan will be to raise funds within the country, and that can be done through the issuance of Islamic securities to support the government funding requirements.

The Sukuk law is currently being drafted by the Ministry of Finance (MOF) in Afghanistan and the IMF with the assistance of the central bank, the Da Afghanistan Bank (DAB), which will be submitted to the Ministry of Justice at the end of September 2012. The MOF and DAB will be issuing Sukuk in Afghanistan for the first time in 2013.

The main purpose for the Sukuk issuance will be to support the government funding requirements for the implementation of its economics and fiscal sustainability, liquidity requirements and project developments. The Sukuk that will be offered include a treasury Sukuk, government project Sukuk, provincial government Sukuk, municipal Sukuk and possibly a government Sukuk program.

The Sukuk may be issued in a number of Shariah compliant financing structures: including Sukuk Ijarah, Sukuk Mudarabah, Sukuk Musharakah, Sukuk Istisnah or any other structure, as long as it is in compliance with Islamic principles and approved by the Shariah board.

Zulfiqar Ali Khan is director of Islamic banking division at the Da Afghanistan Bank. He can be contacted at za.khan@centralbank.gov.af.

Landmark convertible Sukuk issuance in Singapore

SINGAPORE

By Yeo Wico, IFN Correspondent

On the 24th September 2012 Sabana Real Estate Investment Management, as the manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (Sabana REIT), announced that Sabana Treasury, a wholly-owned subsidiary of Sabana REIT, issued SG$80 million (US$65 million) in principal amount of convertible Sukuk, which has been fully placed to institutional investors and accredited investors.

The Sukuk were issued under a combination of the Shariah financing principles of Murabahah, Ijarah and Wakalah, innovatively structured to enable the proceeds of the issuance to be utilized to finance the acquisition by Sabana REIT from a third party vendor of a Jurong Town Corporation (JTC) industrial leasehold asset, which would then be used to underlie the Sukuk and comprise the Ijarah assets generating rental for the purposes of the profit payments under the Sukuk.
This represents a landmark Sukuk transaction for Singapore in many respects; being the first convertible Sukuk issuance in Singapore, the first Sukuk issued in Singapore based on JTC properties and the first ever Sukuk convertible into units in a real estate investment trust.

This groundbreaking Sukuk transaction is an example of how the regulatory and tax infrastructure in Singapore is supportive of complex Islamic financing and Sukuk structures, and should be an encouraging sign of possibly more big ticket Islamic financing transactions to come in the non-Muslim majority island state. It also marks Sabana REIT's first foray into the Sukuk market.

Sabana REIT is Singapore's first certified Shariah compliant REIT and was established principally to invest in income-producing real estate used for industrial purposes in Asia, as well as real estate-related assets, in line with Shariah investment principles.

The landmark transaction comes in the middle of yet another record-breaking year for Sukuk issuances globally, and marks Singapore as having a role to play in the quickly maturing and evolving Islamic finance landscape.

Yeo Wico is a partner at Allen & Gledhill. He can be contacted at yeo.wico@allenandgledhill.com.

Daud speaks

By Daud Vicary Abdullah

I would like to think that, as an industry, we are at a crossroads. What, you may well ask, is driving this particular thought at this particular time? Well, to answer that question: "The right place and the right time".

Some further explanation is required and I will try, in what remains of this column, to explain the circumstances and also my thinking. It really is a combination of four things and I will try to organize them in the order in which they happened.

Firstly, I delivered a paper on 'Ethical Values and Economic Crime' at the University of Cambridge. During my presentation I did not mention Islam or Islamic finance once. As a result, the message of the paper, which was about a 'back to basics' approach for ethical values and a need to return to a state of trust in the global financial system, provoked a number of comments from the audience that the values put forward by Islamic finance may be a viable alternative.

Secondly, I visited Senegal where we are working towards setting up an academy to educate students in Islamic finance. The enthusiasm with which our proposals were met and the eagerness to get started by January 2013 left with me a lasting impression of the importance of the work that we are all doing in Islamic finance and the change for good that it can have for everyone.

Thirdly I attended a couple of conferences concurrently in Kuala Lumpur. One was very focused on the Islamic finance industry in Asia and the other was directed towards debating global megatrends, including finance. What was particularly interesting for me, as a participant who was able to attend both events, was the fact that without any obvious prior collaboration, the messages conveyed around ethics, values and suggested ways forward to execute action were very similar indeed. It was almost as if a meeting of the minds from the various participants, who were largely not aware of the other event, was taking place. If only we could connect up all of the dots!

> ***"The messages conveyed around ethics, values and suggested ways forward to execute action were very similar indeed"***

Fourthly, there was the convocation of my own university, where a large number of graduates from around the world stepped into a new world with their qualifications in hand. Would they be able to represent all the change that they want to see in the world? Would they be able to carry the Islamic finance industry to another level? They have certainly been prepared. However, we must await the outcome of this particular crossroads in their respective lives for a little while longer.

As always, there is always much to do and not a moment to lose..

Great Eastern Takaful remains on course amid leadership change

Following the departure of Mohamad Salihuddin Ahmad as CEO of Malaysia's Great Eastern Takaful (GE Takaful) on the 21st September 2012, the Takaful operator remains determined to maintain the course steered by its former head, who helped set up the firm in 2010.

In an interview with Islamic Finance *news* (the first to report that Mohamad Salihuddin's resignation was rumored to be due to a disagreement with the Great Eastern Group (GE) on GE Takaful's reporting structure) Zafri Ab Halim, GE Takaful's acting CEO and its chief financial officer (CFO), sought to clarify that the firm's operations remain firmly intact, with a target to achieve profitability in 2015.

The firm also remains open to expanding its footprint to Indonesia; while strengthening its presence in its Malaysian home base by improving the efficiency of its agency force and entering into more bancaTakaful agreements to increase the distribution of its products.

Same ship, different captain

Despite market talk, GE Takaful's official stance is that Mohamad Salihuddin's exit was due to personal reasons, although Zafri confirmed the structural changes that now require the CEO of GE Takaful to report to Koh Yaw Hui, CEO and a director of Great Eastern Life Assurance (Malaysia), the local conventional Life insurance arm of the GE group, which is owned by Singapore's Great Eastern Holdings.

Zafri stressed that in spite of the new reporting structure, GE Takaful's operations remain independent from those of its conventional counterpart, with the Takaful arm possessing a separate board of directors and its own Shariah board. He also refuted speculation that the GE group has shown flagging support for its Malaysian Takaful arm, noting that GE Takaful's shareholders provide "full support" to the firm.

Additionally, he clarified reports that GE Takaful's agents had demonstrated in front of its offices in Kuala Lumpur in solidarity with Mohamad Salihuddin's resignation, noting that the protests were in relation to matters on GE's conventional side and only involved its conventional insurance agents.

Meanwhile, Zafri also reiterated that GE Takaful's business remains intact despite the departure of Mohamad Salihuddin, noting that his charge is now to continue with the objectives set out by the firm's previous head. "It's still the same ship, just with a different captain," he said, disclosing that the firm is expected to officially name him as CEO after its next board meeting in November this year, following which his appointment will be submitted to the Malaysian central bank for its approval.

Zafri joined GE Takaful in April last year, after returning to Malaysia from an almost seven-year stint as the CFO at AlJazira Takaful in Saudi Arabia.

> *"The firm is expected to officially name Zafri Ab Halim as CEO after its next board meeting in November this year"*

Strengthening Malaysian business

Continuing from the efforts of its previous CEO, Zafri said that the firm remains focused on strengthening its presence in Malaysia, where it is currently ranked eighth in terms of market share. "We have a lot more potential to develop and are working closely with our distributors to get more business," he noted, explaining that one challenge for the firm is that unlike many of its competitors, it does not have a direct link to banks; thus closing off certain bancaTakaful arrangements. The firm is however currently working on setting up bancaTakaful partnerships with MBSB (Malaysia Building Society), Al Rajhi Bank Malaysia and Kuwait Finance House to increase distribution of its products; while the Takaful operator also hopes to expand its product range.

Its core business nonetheless continues to come from its agency force, of which 4,000 market conventional and Takaful products, with another 280 agents selling only Takaful. Zafri said that the firm is planning to increase its agency force of solely Takaful agents to 600 next year, while terminating those who are unproductive and incentivizing others to ensure productivity.

The firm's measures are ultimately targeted at achieving profitability in 2015. As at the 30th June 2012, the Takaful operator had already brought its losses down to RM1.71 million (US$559,273), from a net loss of RM3.84 million (US$1.26 million) a year earlier.

Overseas expansion plans

Zafri also said that GE Takaful still plans to enter the Indonesian market, marking the firm's expansion abroad in a move that would leverage the Takaful window of Great Eastern Life Indonesia. Its plans however have been put on the back-burner, despite GE Takaful already having prepared its products for the Indonesian market.

The delay is attributed to new rules requiring Indonesia's conventional insurers with Takaful windows to spin off the Shariah compliant operations into fully-fledged entities; the deadline of which remains uncertain.

Until then, the firm will focus on fortifying its base at home. With new leadership in place GE Takaful will have to center all its efforts on ensuring a smooth transition following the departure of its top figurehead. — *EB*

Bahrain Mumtalakat Holding Company's US$98.08 million Sukuk Murabahah

Bahrain Mumtalakat Holding Company (Mumtalakat), the investment company for Bahrain's non-oil and gas strategic assets, issued a five-year, RM300 million (US$98.08 million) Sukuk on the 4th October 2012. The issuance represents Mumtalakat's first series from its RM3 billion (US$980.84 million) Sukuk Murabahah program set up in July this year.

Utilization of proceeds

Proceeds from the issuance will be used for Mumtalakat's Shariah compliant general corporate purposes.

Fully owned by the Bahraini government, the firm was established to support the diversification of Bahrain's economy from oil and gas. Its investment in over 35 commercial enterprises, including Gulf Investment Corporation, Bahrain Telecommunications Company (Batelco) and the McLaren Group, has created a portfolio valued at BHD2.7 billion (US$7.16 billion) as at the 31st December 2011. Other sectors the firm is invested in include real estate, tourism, transport and food production.

Pricing and placement

The offering will pay a profit rate of 5.5% per year. This compares to a coupon of 5% on Mumtalakat's only other debt issuance, a US$750 million, five-year conventional bond issued in 2010.

The transaction was completed on a private placement basis, with investors comprising asset management companies, which were allocated 50% of the notes, financial institutions (40%) and government agencies (10%).

> *"The issuance represents Mumtalakat's first series from its RM3 billion (US$980.84 million) Sukuk Murabahah program set up in July this year"*

Structure

The Sukuk Murabahah is backed by Shariah compliant commodities, except for those in the category of medium of exchange, such as currency, gold and silver. The commodities are provided through Bursa Suq Al-Sila', the Malaysian commodity trading platform. — *EB*

Bahrain Mumtalakat Holding Company US$980.84 million Sukuk Murabahah program

US$98.08 million

Mumtalakat
INVESTING FOR BAHRAIN

4th October 2012

Issuer and obligor	Bahrain Mumtalakat Holding Company
Issuance amount	RM300 million (US$98.08 million)
Tenor	Five years
Coupon rate / return	5.5%
Payment	Semi-annual
Currency	Ringgit
Maturity date	3rd October 2017
Lead arranger and principal advisor	Standard Chartered Saadiq
Lead managers	Standard Chartered Saadiq and CIMB Investment Bank
Legal advisors	Zul Rafique & Partners (for issuer in respect to Malaysian law), Linklaters (for issuer in respect to international law), Adnan Sundra & Low (for principal advisor/ lead arranger) and Haya Rashed Al Khalifa (for principal advisor/lead arranger in respect to Bahrain law)
Governing law	Malaysia
Shariah advisor	Standard Chartered Saadiq
Trustee	Deutsche Trustees Malaysia
Rating	'AA3' by RAM and 'BBB' by Fitch
Structure / instrument	Murabahah
Structure / instrument	Murabahah

Hukum Syara' in Islamic banking and finance in Brunei: Practical legal issues – Part one

MUHD JAMIL ABAS ABDUL 'ALI @ JAMES CHIEW takes us through the meaning of Hukum Syara' under the Shariah Supervisory Board Order 2006 in Brunei.

The Shariah Financial Supervisory Board Order, 2006 (the SFSB Order) was enacted in Brunei with the stated objectives: "To provide for the control of the administration and business dealings of financial institutions concerning Islamic products and any matters connected therewith and incidental thereto."

The SFSB Order is expressed as "for the control of," but it is clear that one of its main achievements is the reduction of Gharar which is espoused in Islamic law by introducing a greater degree of certainty on Islamic laws of transaction relating to banking and finance. This allows for the nurturing of the growth of Islamic banking and finance businesses. However, it is also evident that a number of legal issues can be seen from a practical-application viewpoint.

The constitution of Brunei of 1959 proclaims that the official religion of Brunei is Islam. The Islamic religion is defined as the religion according to the Shafiete sect of Ahlis Sunnah Waljamaah. It does not discriminate between observance of religious duties and commercial obligations. The SFSB Order defines Hukum Syara' as: "The laws of Islam according to the Syafeite, Hanafi, Maliki or Hanbali sect of Ahlis Sunnah Waljamaah." Obviously this is limited to Islamic banking and finance transactions only.

Evidently, this can be fertile ground for arguments as to which of the laws will prevail in a dispute as to the validity or otherwise of an Islamic banking product. It is not immediately obvious that different scholars will always agree on the same things.

Hukum Syara'

The definition of Hukum Syara' in the SFSB Order lists the Shafiete Mazhab before the Hanafi Mazhab and not chronologically as is the generally accepted practice. No explanation is provided for this change. Issues arising can include whether it is intended to give preference to the Shafiete Mazhab, whether this a pre-condition before the views of other Mazhabs can be considered and/or adopted, or whether this is merely cosmetic without legal consequences.

Section 12 of the SFSB Order repeats the Syafeite Mazhab in priority to the other Mazhabs, but does not express that the views of the Syafeite Mazhab should be considered or taken in preference. Instead it states that: "When making any decision pursuant to the performance of its duties under this Order, the board shall conform to and observe the accepted views of the Syafeite, Hanafi, Maliki or the Hanbali sect of Ahlis Sunnah Waljamaah."

> ***"The terms and conditions of pawnbroking practiced by Islamic financial institutions must also be approved by the SFSB board"***

The conjunction "or" leans towards an absence of intention to prefer the views of one Mazhab over the others notwithstanding the clear words of the constitution. An explanation for the departure from the standard would have been useful.

The Religious Council and Kadis Court Act, Cap. 77 (1955) (RCKA) employs the term Hukum Syara' but does not define it, stating that: "The Majlis shall take notice of and act upon all written laws in force in Brunei, and the provisions of the Hukum Syarak'." It is not entirely clear whether "shall take notice of …..Hukum Syarak'" under the RCKA has the same meaning as that given in the SFSB Order. This is unlikely since the RCKA was enacted in 1955 and the Constitution of Brunei (1959) expressly states the Mazhab Shafeite is the prevailing Mazhab.

Additionally, the RCKA requires (procedurally) the Majlis when issuing any ruling on Islamic law it is expected the Majlis "shall ordinarily follow the orthodox tenets of the Shafeite sect…" The term "orthodox tenets" is understood to mean "Qaul Muktamad". A proviso allows that if this were to "be opposed to the public interest", it may "follow the less orthodox tenets of the Shafeite sect" unless the Sultan of Brunei otherwise directs. "Less orthodox" is understood to mean "Qaul Daif".

A further proviso then allows that if this were also to result in opposition to "the public interest", the Majlis may decide to "follow the tenets of any of the three remaining sects as may be considered appropriate". This departure requires the "special sanction" of the Sultan of Brunei. The SFSB board in making its decision to ascertain Islamic law relating to Islamic banking is not so restricted.

Conflicts can arise where two separate bodies are endowed by co-extensive authority to make rulings. A conflict can be a direct conflict or an implied conflict. It is not clear which will prevail, and if the courts were to shed their timorous shells and take up the task of decision-making, how they should decide the conflict of views.

Ar-Rahnu

Further, the Islamic banking product called Islamic pawnbroking (Ar-Rahnu) is regulated by the Pawnbrokers Order, 2002 (PBO) and its stated objective is: "To regulate the business of pawnbrokers in accordance with Hukum Syara'." It then defines Hukum Syara' as: "The laws of any sects which the court considers valid." Exceptionally, exclusive jurisdiction to hear disputes in such cases is conferred on the Shariah courts which

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"shall hear or determine any claims or proceedings".

The terms and conditions of pawnbroking practiced by Islamic financial institutions must also be approved by the SFSB board. It can be seen that whilst the board may consider and approve an application offered to the public based on its specific given mandate, in the event of a dispute arising, the Shariah courts are not bound by the same procedure for ascertaining the Hukum as the SFSB board since no particular procedure is expressed for the Syariah courts in arriving at its decision and the Mazhab Shafeite is not listed in priority under the PBO.

> ***"In the event of a dispute arising, the Shariah courts are not bound by the same procedure for ascertaining the Hukum as the SFSB board since no particular procedure is expressed for the Syariah courts"***

Conclusion

One wonders how far the unrestricted words "laws of any sects which the court considers valid" will go in affording unrestrained decision-making by the Shariah courts. The SFSB order does not make a decision of the SFSB board binding on a "court", especially the Shariah court, since the Interpretation and General Clauses Act, Cap. 4 states that "High Court" means the High Court constituted under the Supreme Court Act, Cap. 5 (the civil court).

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Using derivatives in Islamic finance

SALMAN AHMED SHAIKH discusses an alternative proposal to diminishing Musharakah which will make the transaction more transparent and realistic.

In Islamic banking, diminishing Musharakah is used to offer home financing products. It allows equity participation in asset ownership and provides a method through which the bank keeps on reducing its equity in the asset and ultimately transfers ownership of the asset to the client as the client makes periodic installments.

As practiced in Islamic banking, taking an undertaking from the lessee is just like buying a 'put option' (with put premium equal to zero) from the lessee, who acts as a put option writer. What this essentially does is enable the Islamic bank to avoid market and price risk.

The Islamic bank only buys the house when it has obtained a unilateral undertaking from the client that is legally enforceable and which allows the bank to lock the subsequent lease contract and charge stipulated periodic installments before committing any of its funds.

If the above mentioned 'put option' provision is reversed, the client would buy the call option and the bank will sell the call option, i.e. acts as a call option writer. To make it conform to Islamic principles, the call premium can be removed or if taken, it could be regarded as a token amount for a subsequent purchase of a house. If the client does not exercise the call option, then this amount will be returned. In this way, the upfront call premium, if taken, will be a valid consideration.

Alternatives to diminishing Musharakah

This alternative could work as follows:

a) The Islamic bank buys the house, paying the house owner the full amount of the house. The Islamic bank is now the owner of the asset.
b) The Islamic bank then gives the house on rent to the client and also enters into an options contract as the call option writer.
c) If the call buyer does not exercise the option, the options contract expires and the Islamic bank is in a position to give the house on rent again.
d) If the call buyer exercises the option, the Islamic bank gets the house price plus the rental income for the period before the expiration of the options contract.

The rent could be benchmarked using a house rental index. The issue arises as to whether a fixed premium could be added or not. However, since the contract itself does not have any connection with interest or interest rate benchmarks and the rent is charged as long as the house is in usable condition, it does not contradict with Islamic principles.

However, it must be noted that this is not a new proposed avenue for investment. Hence, it is neutral to the issue as to whether it should have a secondary market or not. We have lived without securitization of mortgages and this has benefited Islamic finance during the great recession which affected conventional finance so badly.

Second, the proposal meets following specific objectives:

a) To allow people to break free from conventional mortgages if they feel that they are not able to keep paying installments. This is done by making them call option buyers and hence, they get a choice.
b) To achieve separation of tenancy and sale contracts. This is a requirement in Islamic jurisprudence. This is achieved in Islamic finance currently through a unilateral undertaking which is legally enforceable. Hence, the current mechanisms to separate tenancy and sale are not ideal but simply legal solutions to the problem; unlike this proposal.
c) To propose a mechanism that still allows the bank to have reasonable returns even when future prices are low and when they are high. Future prices will determine the client's decision to exercise or not to exercise the call option contract.
d) To propose a mechanism that still allows the client to have a place for living and an option to purchase the house at a fixed price rather than paying fixed installments until maturity.
e) To propose a mechanism for setting rentals which reflects true market rent rather than linking it with an interest-based benchmark. Hence, an alternative to Libor as a benchmark/pricing rule has also been provided by linking the rentals with a house rental index.
f) No matter how high the price of option is, the customer would always be in a position not to pay higher than market prices. This is because the customer can decide not to exercise call option.

This could seem unattractive to the Islamic bank as it would have to take a certain risk this time, which all normal landlords take in the housing market. But, this proposal disallows the bank any differential and preferential treatment. Having said that, the bank still has certain key features which safeguard its interest, such as:

a) Rent for some period could be fixed by linking it with a rental benchmark. It can be changed later on. For the purpose of hedging, some advance rent could also be taken and this would be an alternative to upfront down-payment.
b) Rent could be set as a multiple of a benchmark (house rental index), although this would always depend on the bargaining power of both parties. There could be a cap and floor just like in current practice.
c) The option price together with targeted rentals will enable the bank to cover its cost.

d) If house prices are increasing, the house rent will also increase. So, if prices are increasing, all benefit will not accrue to the lessee alone. With increase in rents, the shareholders and Rabb-ul-maal (depositors) of the bank will also benefit.

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Standardized documentation for Islamic derivative instruments

FARA MOHAMMAD examines the Tahawwut Master Agreement and Mubadalatul Arbaah templates, and suggests that it may take some time before Islamic financial institutions are able to fully integrate the new framework into their own agreements and structures.

Islamic financial institutions (IFIs), like their conventional counterparts, are exposed to fluctuation in foreign currency rates and cash flow mismatches as a result of the inter-linkages with the global financial system. However, unlike their conventional counterparts, the use of derivative products by IFIs is still limited. The lack of standardized documents has been seen as a factor that has hampered the use of Islamic derivative instruments and to a certain extent, has inhibited IFIs from operating outside its domestic markets. To address this issue, the industry has undertaken the ongoing challenge of developing global Islamic hedging standards and documents, across both global and Islamic financial markets.

Tahawwut Master Agreement

The Tahawwut Master Agreement (TMA), released on the 1st March 2010 was developed by industry experts to provide a standardized framework that contains the general terms and conditions that parties may agree to adopt pursuant to which the parties enter into Shariah compliant hedging transactions, utilizing the Murabahah and Wa'ad structure. An executed TMA and the accompanying schedule (in which the parties make certain elections) serves as an umbrella agreement that may govern a series of future sale and purchase transactions but does not give rise to an actual sale and purchase transaction. The parties must enter into additional agreements pursuant to which the parties determine the specific terms of a particular sale and purchase transaction.

The TMA documentation contemplates two different types of situations: (i) transactions that occur immediately (transactions), which are documented pursuant to confirmations; and (ii) transactions that may occur in the future [(designated future transactions (DFT)], which may be concluded under agreements or undertakings (referred to as DFT terms agreement). Once a DFT is concluded, it becomes a transaction.

The TMA has been drafted so as to be as flexible as possible as to what types of transactions may be concluded pursuant to its terms.

When executing the TMA, each party issues a Wa'ad (a promise to perform in the future) to enter into a Musawwamah (the sale of an asset for an undisclosed profit) in the event of an early termination of the hedging arrangements. The Wa'ad is embedded into the TMA and facilitates the payment of an amount to reflect the early termination of the hedging arrangements. Only the party who would be entitled to the early termination amount may exercise the Wa'ad given in its favor. If, in breach of the Wa'ad it has issued, a party fails to purchase the assets under a Musawwamah, liquidated damages are determined and payable.

> *"The TMA was a significant milestone in the development of risk management in Islamic finance"*

The TMA was a significant milestone in the development of risk management in Islamic finance and the development of the template documentation for Mubadalatul Arbaah (MA) for Islamic profit rate swaps was a natural step in the development of Islamic hedging instruments. The MA template was developed by industry experts to allow the bilateral exchange of profit streams from fixed rate to floating rate, and vice versa. It aims to provide the industry with access to consequential product documentation under the TMA and assists in the management of profit rate risks to enhance cash flows.

Mubadalatul Arbaah

There are two sets of MA templates published and each set utilizes the Murabahah structure and is Wa'ad-based (such Wa'ad differ from those embedded in the TMA which relate to early termination). The parties to the MA will enter into a series of separate confirmations (DFT terms confirmations) whereby one relates to the fixed profit rate leg of a MA and the other relates to the floating profit rate leg of a MA. As the Wa'ad for each leg needs to be clear, distinct and separate from the other leg of the MA, there are two independent DFT terms confirmations for each leg of the MA.

Each set of documentation envisages a single sale structure or a two sales structure. When the Wa'ad is exercised by a party (seller of assets) on a relevant date, the other party (buyer of assets) is required to purchase specified assets under a sale and purchase (Murabahah) contract with the seller and execute a Murabahah asset sale confirmation.

The fixed rate side of the transaction encompasses a transaction in which an asset is sold with a markup where installment payments are equal to the fixed rate profit payments. On the floating rate side, an asset is sold with a markup priced with a spread over a floating rate benchmark where installments are equal to the floating rate profit payment.

The parties repeat the floating rate contract until maturity using the floating rate benchmark at the time each contract is signed. On both the fixed rate side and floating rate side, respectively, there is a balloon payment of the principal at maturity, and upon delivery of the relevant asset the asset is sold at the current market price. Each Murabahah sale entered into between the parties

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constitutes a transaction under the TMA.

It is contemplated that for each specific period (calculation period), a Murabahah sale will be entered into either at the start of the calculation period or at the end of the calculation period. With a single sale structure MA, only one of the Wa'ad for the fixed profit rate leg and for the floating profit rate leg, respectively, will be exercisable depending on whether the specified condition (the exercise condition) in relation to a calculation period, is met.

The exercise condition is determined by establishing whether the profit (being the difference between the fixed rate amount and the floating rate amount) in relation to a calculation period is greater than zero. If the profit under one leg is greater than zero (i.e. positive), the profit under the other leg will be less than zero (i.e. negative), hence only the Wa'ad with the positive profit will be exercised and only one Murabahah sale will be entered into between the parties, either with respect to the fixed profit rate leg or the floating profit rate leg. Consequently, there will be one asset flow and one cash flow between the parties in relation to each calculation period for the MA.

With a two sales structure MA, for each calculation period, both Wa'ad in the DFT terms confirmations for the fixed profit rate leg and for the floating profit rate leg, respectively, will be exercised by the relevant parties. Accordingly, two Murabahah sales will be entered into in relation to the fixed profit rate leg and the floating profit rate leg respectively and there will be two asset flows and two cash flows between the parties in relation to each calculation period for the MA. In a two sales structure MA, payment obligations may be set-off against each other if the Murabahah sales are between the same parties, in the same currency and are due on the same day, however, the assets being purchased and sold may not be set off and must always be delivered.

Conclusion

The TMA and MA templates have been approved by prominent scholars and key experts in the industry. However, it is important to note that it is always the responsibility of the parties entering into the relevant hedging transactions to ensure that their own Shariah advisors are satisfied that the relevant hedging transaction is Shariah compliant and that the documents are suitable and appropriately utilized in the context of that particular hedging transaction.

Accordingly, it may take some time before IFIs are able to fully integrate the new framework and standards into their own agreements and structures. Nevertheless, it is hoped that the long-term advantages of standardization will provide IFIs with an incentive to make the transition.

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Islamic Investor

Vol 9 Issue 41

Low cost yet still unpopular

Cover Story

Cerulli Associates recently released its latest report on the trends of retail investors in the US, which revealed an increasing preference for low-cost products. Cerulli stated that this preference has become a contributing factor to other trends it is currently tracking; most notably the growth of the direct channel as well as independent advisor channels.

Cerulli noted that open-ended mutual assets reached US$11 trillion by the end of the first quarter of 2012, which the research house deemed to be a positive start, with net redemption of funds standing in excess of US$72 billion. According to Scott Smith, the head of the intermediary practice at Cerulli, the mutual fund redemption was not merely a result of reduced interest in investing overall but was also due to investors' preference for lower-cost products, particularly exchange-traded funds, which saw inflows of about US$112 billion in 2011.

Large outflows of assets from traditional active fund managers that instead moved to lower cost fund managers such as Vanguard that saw inflows of assets into six of its funds of more than US11.7 billion during the first quarter of 2012 while 19 of the top 25 equity funds in the US experienced outflows of over US$15 billion during the same period, according to Cerulli.

"These figures reflect a growing reluctance by investors and advisors to pay for what they believe to be broad market returns," commented Smith.

It does not come as a surprise that, post the global financial crisis, investors – whether conventional or Islamic – have not only become more savvy but also more attuned to managing their portfolios – including showing a preference for low-cost products.

This was highlighted by a prominent fund manager in the UAE recently, when asked why he thought Sukuk funds had not really taken off in that region. He claimed that it was due to the fact that many investors, retail as well as high net worth individuals, were more interested in investing directly to save on the cost of paying the fund manager. "Our attempts to educate investors on Sukuk funds are normally turned into a fact finding mission on their part to invest into Sukuk directly," he lamented.

In an earlier report on Australia's superannuation funds, Cerulli also stated that despite the large number of funds and types of funds, self-managed funds have seen exponential growth, currently making up 33.9% of all the superannuation assets. Cerulli also predicts that the number of large 'supers' is likely to shrink as the total number of funds increases.

One popular investment product that has seen much success in the conventional space but not the Islamic finance industry is exchange-traded funds (ETFs). Conventional ETFs came about in the early 1990s in the US and were originally used by professional investors, but the passive investing with lower costs eventually attracted retail investors as well.

Volatile global markets and lackluster investor sentiment have compelled major ETF providers in the US such as BlackRock, Charles Schwab and Vanguard to go on a 'fee-cutting war' in a bid to draw investors away from traditional mutual funds.

BlackRock is no stranger to Islamic ETFs as its iShares, then an arm of Barclays Global Investors, launched the first Islamic ETFs in 2007 with the iShares MSCI World Islamic, the iShares MSCI USA Islamic and the iShares MSCI Emerging Markets Islamic.

Eurekahedge currently lists 16 Shariah compliant ETFs worldwide. ETF Securities' ETFS Physical Gold is currently the largest fund in this space with assets under management of US$7.936 billion as at the 31st August 2012. However, other Shariah compliant ETFs have received a lukewarm response from investors, forcing two of these funds - one in the US and the other domiciled in Singapore – to close.

With lack of education constantly cited as a reason for the slow take up of ETFs, a concerted effort by fund managers is needed on a global scale to not only create awareness but to attract investors to this low cost and lucrative form of investment. x — *RW*

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Reliance Global Equity Style Monitor – Market Commentary

Global equity markets rose strongly during the third quarter of 2012, as investors recovered their appetite for risk courtesy of the worlds' central bankers. Asset prices reacted positively across the globe in response to a third round of quantitative easing by the US Federal Reserve and a vow from the European Central Bank to tackle the Eurozone debt crisis.

In order to better understand the interaction between economics and investor sentiment, Reliance Asset Management Malaysia evaluates companies in terms of investment 'styles', such as Value, Growth and Momentum.

This analysis forms the basis of 'Cognition' our in-house stock selection model. The following 'heat map' of global style preferences tallies the number of sectors where analysis by Cognition over the past twelve months assigns a greater than equal weight to any given style (red being 'hot') against those where it assigns a less than equal weight (blue being 'cold').

Although 'Financial Strength' clearly remains a 'hot' investment style, the number of sectors favoring 'Value' has increased markedly in the US and Europe. Investors continue to prefer companies with strong balance sheets in most economic sectors across the developed world, but they are now increasingly attracted towards those offering the best relative valuation.

Table 1 – Style preference by Region in Q3 2012

Sep-12	Valued	Growth	Emom	Pmom	Financial	Low Vol	Quality
US	7	6	6	5	10	6	2
Canada	5	3	6	7	5	3	6
UK	7	4	2	3	10	3	3
Europe	3	6	7	2	7	1	8
Asia	8	4	3	2	7	4	9
Japan	4	7	3	3	5	5	6

Source: Reliance Asset Management Malaysia Date: 30 September 2012

Table 2 – Change in Style preference by Region Q3 2012

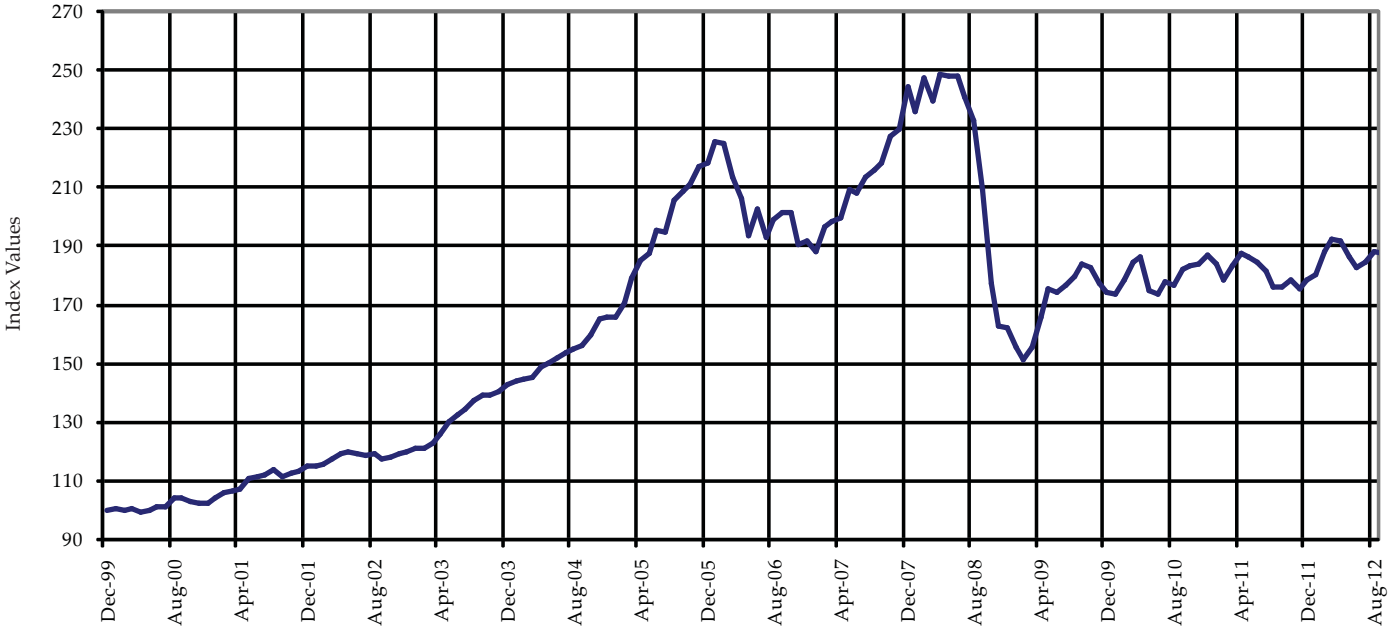
Sep-12	Valued	Growth	Emom	Pmom	Financial	Low Vol	Quality
US	+4	+3	+1	+0	+1	(-2)	(-2)
Canada	+2	+0	+0	+1	(-2)	(-3)	(-1)
UK	+3	(-3)	+0	(-2)	+3	(-3)	(-1)
Europe	+3	(-2)	(-1)	(-1)	+2	(-2)	+0
Asia	+0	+2	(-1)	(-1)	(-1)	(-1)	+0
Japan	(-3)	+1	(-1)	+1	(-1)	(-1)	+2

Source: Reliance Asset Management Malaysia Date: 30 September 2012

Turning to look at the changes in style preferences during the third quarter of 2012, we note a clear divergence in style trends at the regional level. Greater risk appetite in the US, Canadian, UK and European markets contrasts markedly with a lower risk appetite in Asia – 'Value' preferences remained static in Asia and actually fell in Japan. It is worth noting that the export dependent Japanese economy has not yet recovered and we believe it will only do so when global economic growth begins to accelerate. The style differences are a good demonstration that recent equity market gains have been driven by liquidity rather than any real improvement in the global economy.

Reliance Asset Management Malaysia is Investment Manager of the WSF Reliance Global Shariah Growth Fund. This fund utilizes the Cognition investment process.

Eurekahedge Middle East/Africa Islamic Fund Index



Top 10 Monthly returns for Asia Pacific funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Rajhi India & China Equity	Al Rajhi Bank	4.74	Saudi Arabia
2	Public China Ittikal	Public Mutual	3.95	Malaysia
3	CIMB Islamic Asia Pacific Equity	UOB Asset Management	3.69	Malaysia
4	AAA Amanah Syariah	Andalan Artha Advisindo Sekuritas	3.61	Indonesia
5	Al-'Aqar KPJ REIT	AmMerchant Bank	3.57	Malaysia
6	PB Islamic Asia Strategic Sector	Public Mutual	3.13	Malaysia
7	Public Islamic Asia Dividend	Public Mutual	3.06	Malaysia
8	Public Asia Ittikal	Public Mutual	2.96	Malaysia
9	Am-Namaa' Asia-Pacific Equity Growth	AmInvestment Management	2.89	Malaysia
10	PB Islamic Asia Equity	Public Mutual	2.79	Malaysia
	Eurekahedge Asia Pacific Islamic Fund Index		**0.18**	

Based on 53.59% of funds which have reported September 2012 returns as at 16th October 2012

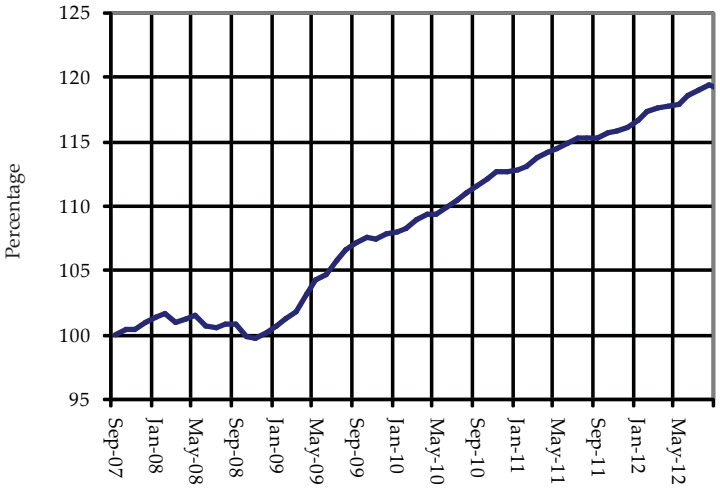
Top 10 Monthly returns for Middle East/Africa funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Amanah Growth Portfolio	SABB	8.26	Saudi Arabia
2	Al Baraka	Hermes Fund Management	7.05	Egypt
3	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	6.28	Egypt
4	Markaz Islamic	Kuwait Financial Centre	6.02	Kuwait
5	Al Assjad IFA Islamic	International Financial Advisors	5.39	Kuwait
6	Al-Aman Islamic	Al-Aman Investment Company	4.45	Kuwait
7	Riyad Gulf	Riyad Bank	1.94	Saudi Arabia
8	NBAD UAE Islamic (Al Nae'em)	National Bank of Abu Dhabi	1.55	UAE
9	Al Dar Money Market	ADAM	0.64	Kuwait
10	Emirates MENA Opportunities	EIS Asset Management	0.52	Jersey
	Eurekahedge Middle East / Africa Islamic Fund Index		**0.31**	

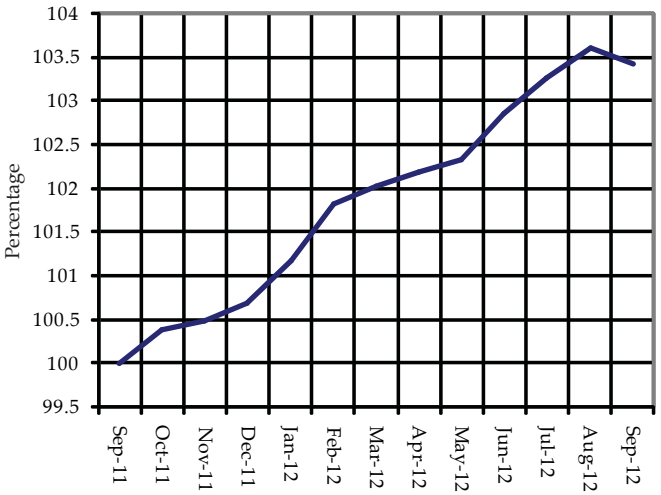
Based on 48.91% of funds which have reported September 2012 returns as at 16th October 2012

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 Fixed Income Index over the last 5 years



Eurekahedge Islamic Fund Fixed Income Index over the last 1 year



Top 10 Islamic Fixed Income Funds by 3 Month Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	2.78	Pakistan
2	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	2.48	Pakistan
3	Jadwa Global Sukuk	Jadwa Investment	2.31	Saudi Arabia
4	PB Islamic Bond	Public Mutual	2.02	Malaysia
5	Public Islamic Enhanced Bond	Public Mutual	2.00	Malaysia
6	CIMB Islamic Sukuk	CIMB-Principal Asset Management	1.56	Malaysia
7	AMB Dana Arif	Amanah Mutual	1.15	Malaysia
8	Public Islamic Bond	Public Mutual	1.08	Malaysia
9	CIMB Islamic Enhanced Sukuk	CIMB-Principal Asset Management	1.02	Malaysia
10	Public Islamic Select Bond	Public Mutual	1.01	Malaysia
	Eurekahedge Islamic Fund Fixed Income Index		**1.24**	

Based on 44.12% of funds which have reported September 2012 returns as at 16th October 2012

Top 10 Annualized Sortino Ratio for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	13.83	Pakistan
2	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	13.58	Pakistan
3	Public Islamic Income	Public Mutual	9.55	Malaysia
4	Commodity Trading - SAR	Riyad Bank	7.95	Saudi Arabia
5	PB Islamic Bond	Public Mutual	3.71	Malaysia
6	Public Islamic Bond	Public Mutual	3.54	Malaysia
7	Emirates Global Sukuk USD Institutional Share Class (Acc)	Emirates NBD Asset Management	3.06	Jersey
8	Public Islamic Select Enterprises	Public Mutual	2.80	Malaysia
9	Public Islamic Select Bond	Public Mutual	2.64	Malaysia
10	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	2.54	Pakistan
	Eurekahedge Islamic Fund Index		**0.09**	

Based on 52.68% of funds which have reported September 2012 returns as at 16th October 2012
Based on reporting funds with at least 12 months of returns till September 2012 as at 16th October 2012

Contact Eurekahedge
To list your fund or update your fund information: islamicfunds@eurekahedge.com
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Takaful news

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17th October 2012

Tackling funds

Cover story

According to the 2011 Ernst & Young report, Shariah compliant funds totalled US$58 billion, whilst global Shariah compliant assets are estimated at US$300 billion. The difference of US$242 billion are regarded as institutional mandates, which have not been invested in either mutual funds or unit trust funds, but are instead assets that are managed by fund managers as a segregated account. Therefore, in Malaysia for example, its Shariah compliant fund managers such as BNP Paribas, Nomura Asset Management and AmAsset Management currently manage assets in domestic unit trust and institutional assets from outside of Malaysia; particularly in the Middle East.

On the buy side of the asset management industry are the Takaful operators, who are crucial in the asset-liability matching process for the institution. According to Norlia Mat Yusof, the chief investment officer at Etiqa Takaful, the major challenge to Takaful operators at present is to minimize the duration gap as assets continue to increase, and to seek alternatives in the market outside of the traditional Sukuk and equities investment channels. "We (Takaful operators) have begun to look at alternative classes such as property and private equity. However, in the case of private equity, the risk associated with its returns is higher; with a risk-based charge of 35%. This reflects the risk associated with the returns." Essentially, she adds, Takaful players are still seeking the elusive longer-dated Sukuk. "Life funds and family funds typically have a longer duration of 20-25 years, and this is common in the Family funds portfolio. However, on the General side, these funds have a shorter duration. Longer-duration funds are really scarce in the market, and fund managers are currently struggling to seek longer-dated Sukuk. In terms of pricing, we still need to meet with the asset-liability matching, and the product has to be delivered as it had been priced. For instance, if you were to go abroad, like Etiqa, you must take a currency view, or else you will go abroad without knowing the implications to your currency. Based on the Takaful guidelines for Malaysian Takaful operators, overseas investments are restricted to 10% per fund, and with all the limitations and risk-based charges (which will be enforced), there will have to be further considerations. At present, a typical portfolio of a company with an asset base of RM20 billion (US$6.55 billion) comprises largely of Sukuk, Shariah compliant indices and alternative investments."

Daniel Choong, an executive director and the head of business development at Nomura Islamic Asset Management, also shared his perspective from a fund manager's point of view, stating that at present, opportunities in the Takaful market are currently rife, on the back of excellent growth in the GCC and Malaysia. However, he added: "We are seeing a slowdown to a certain extent, and seeing emerging markets gaining traction in terms of Takaful penetration. There has also been talk about Malaysian players exploring Indonesia, given the tremendous growth rate of over 5% in the republic over the last few years. In terms of penetration, there needs to be sustainability in the market. Regulators in the Middle East - the GCC and UAE - are typically viewed as more lax compared to Malaysia. For instance, Malaysian Takaful operators have limits to their overseas investments, and even for segregated mandates there is a risk charge and reserve requirement, which is a lot higher than if they were to invest locally. In the Middle East and the GCC, we see a lot more flexibility; therefore consumers need to be very careful as the overall yield and returns - even in 2008 and 2009 - were negative."

Choong added: "Although the Malaysian Takaful industry is relatively more stable, they are looking to explore more asset classes for diversification purposes. Over the last few years, the industry has been volatile. This is despite the Sukuk market doing well and seeing a tremendous improvement in liquidity. Takaful operators have increased their allocation to global Sukuk in the last two years from 10% to 30%; which is a great shift, given what is happening in the financial markets."

He believes that regulators will play a major part in stabilizing the Takaful industry and implementing more guidelines for its long-term protection, particularly in the investment space.

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ING's Takaful unit for sale

MALAYSIA: ING Group will sell its Malaysian insurance operations, including its 60% stake in ING Public Takaful Ehsan, to AIA Group for EUR1.3 billion (US$1.67 billion) as part of a disposal of its Asian insurance and investment management businesses.

The sale remains subject to regulatory approval.

Low Family Takaful penetration

BAHRAIN: Family Takaful penetration in the kingdom is significantly lower than other insurance products, according to Younis J Al Sayed, the chairman of Bahrain Insurance Association.

He attributed the slower growth of Family Takaful to low awareness levels and a lack of product distribution channels.

Slower growth in MENA

GLOBAL: The Takaful and insurance markets in the MENA region remain underdeveloped and could record slower growth going forward, said ratings agency AM Best.

It added that while Takaful and insurance in the region recorded double-digit growth in premiums in recent years, growth has slowed and is expected to come in at less than 5% this year, partly due to the region's political instability and the global financial downturn.

Takaful for paddy farmers

MALAYSIA: Noh Omar, the minister of agriculture and agro-based industry, has announced that 170,000 paddy farmers will be placed under a government-led Takaful scheme.

The plan will be provided to operators of paddy farms not exceeding 10 hectares.

Takaful in Kenya: Product innovation and profitability

Product innovation in Takaful can lead to numerous opportunities and developments. Clients can now enjoy a pool of diverse underwriters with multiple benefits and different models in the choice of covers. ABASS MOHAMED explores.

Product innovation means different things to different people. Some, for example, tend to think in terms of a product which is 'first-of-its-kind', whether in Kenya or in some larger market, or the gradual improvements of features and benefits of existing products.

Thus product innovation in the insurance market in Kenya can be defined as either improvements to existing products or as upcoming developments. This is referred to as incremental innovation and benefits insurers and customers alike. Some might describe this transaction-led innovation as product flexibility rather than innovation per se. On the client side, such policy refinements – sometimes called 'deal-by-deal innovations' — can be extremely important for shaping existing risks to make them or keep them insurable. Innovations also help by saving on unnecessary cover and by using re/insurers' risk-absorbing capacity to reduce the overall costs of insurance.

For insurers, incremental innovation is absolutely essential. However, to step up to the challenges of the market a certain dosage of radical innovation may be required.

Radical innovation or 'first-of-its-kind' product development happens when new ideas or products are developed from scratch. Such innovation has only been pioneered by smaller firms with identified niche markets. Overall, radical innovation has been hampered by the nature of insurance risk that always forces the underwriters towards risk aversion.

Nonetheless some amazing products have been pioneered in the Kenyan market, especially in the Life industry. Takaful in general operates under the mutual and solidarity principles where policyholders pool together premiums in a collectively-owned risk fund that meets the claims and other policy holder benefits. The policyholders, referred to as 'participants', co-guarantee each other in the risk fund. Where underwriting surplus or profits is declared at the end of the year, such surplus is shared among the policyholders who have not made claims. The contract of Takaful is thus one of 'fairness and equity' as stipulated under Shariah for financial transactions.

Growth of Takaful

Takaful was pioneered in Sudan in 1979 and has since grown phenomenally over the last three decades with over 200 Takaful operators globally and more Takaful windows in conventional insurance companies. Further re-Takaful (re-insurance) has also grown to meet re-insurance needs within the concept of mutual cooperation, thus enhancing innovation in the Takaful industry.

> *"Technology innovations have and can also greatly enhance profitability"*

In Kenya, Takaful Insurance of Africa was licensed by the Insurance Regulatory Authority in 2008 and has shown grown massive potential in its first year of operation. The coming of Takaful to Kenya has significantly enhanced the increase in insurance penetration among Muslims and other niche markets.

Such penetration can thus be attributed to Takaful innovation, which continues to grow both locally and globally. Product innovation in Takaful can lead to numerous opportunities and developments. Clients can now enjoy a pool of diverse underwriters with multiple benefits and different models in the choice of covers. Such diversity enhances appreciation of insurance products and in the long run, the growth of the insurance industry's premium and ultimate profitability.

Technology innovation

Technology innovations have and can also greatly enhance profitability. Locally in the Kenyan market, the use of mobile phones in the sale and distribution of insurance has grown significantly. Such platforms reduce distribution and administration costs.

According to the latest figures from the Communications Commission of Kenya (CCK), mobile subscribers in the country increased to 29.2 million between January and March 2012, up from 28.08 million in December 2011, and 89.1% of the population has access to mobile phones. This shows a phenomenal platform that can be exploited for greater reach and awareness.

In addition, one must remember that some people have two sim cards with two separate lines or telephones and that increases the numbers significantly. The CCK is yet to release any data on the actual numbers of those with double sim cards but nonetheless, the potential remains significant and its impact is already been felt.

Product innovation could also be interpreted as the use of new platforms on the social media scene, such as Facebook and Twitter, to reach new markets and target clients. Kenya is constantly mentioned as a top African nation for Facebook users and Twitter followers and with the proper integration these social sites could be used to enhance product awareness. Furthermore, other financial institutions have already used these platforms to great appeal.

Innovation in some product lines, such as index-based livestock insurance, has led to significant developments in Kenya especially in the arid and semi-arid

continued...

Continued

areas. As well as increasing the reach of insurance to the very vulnerable groups, such products have led to enhanced value addition for the community and improved the image and perception of insurance as a whole. Further research and developments into these segments of livestock, poultry and farm insurance could also heavily influence the way traditional farming or rearing is done.

Micro-insurance

Micro-insurance is one platform which has experienced significant developments in the Kenyan market. Some companies have pioneered and enhanced both micro-health and other covers to the lower-end mass market. Success in micro-insurance requires a great deal of efficiency and mass market strategies to reach a critical mass. Administration costs and distribution channels have to be re-thought and restructured to provide for a leaner, easier system that touches the client base directly through trusted forums.

While there has been slow uptake of new products in the market in the last 10 years, this co-creation or co-development approach and the emerging new products and services are poised to disrupt market dynamics. Products with built-in customer input and value will challenge 'product price wars' and redefine customer relationships.

Examples of this in more developed insurance markets include:

- Accident forgiveness, which keeps rates from going up because of an accident;
- Safe driving bonus, which rewards consumers with up to 5% of their premiums back for every six months of accident-free driving;
- New car replacement, which replaces a car if a policyholder has an accident during the first three years of owning a new car;
- Recover care, which pays for assistance with cooking, cleaning, shopping, transportation and yard work if the policyholder is injured in a car accident;
- Lifetime car repair guarantee, which reduces costs by using authorized repair shops to guarantee all repairs; and
- Disappearing deductible, which rewards good driving with a reduction in the collision deductible by US$150 and which continues to provide reductions of US$50 for each year of a policy holder's good driving record.

> ***"Kenya is constantly mentioned as a top African nation for Facebook users and Twitter followers and with the proper integration these social sites could be used to enhance product awareness"***

Abass Mohamed is the corporate risk and research manager at Takaful Insurance of Africa. He can be contacted at abass.mohamed@takafulafrica.com

Khaldoun Malkawi, chairman & CEO, Al Sanabel International Holding

Khaldoun Malkawi has served in various international banks and established his own asset management companies in Amsterdam and Geneva. He obtained his Masters degree in Islamic finance at Pebble Hills University, UK.

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

Before establishing Al Sanabel International Holding (SANA), I was the financial consultant for the palace in the UAE. I also served in different international banks and established my own asset management companies in Amsterdam and Geneva. I obtained my Masters degree in Islamic finance in London, UK and pursued an executive course at Harvard Business School. Currently, I am in the midst of completing my PhD in Islamic finance.

What does your role involve?

I act on behalf of SANA as the communicator, decision maker, leader, manager and executor and I also decide on the policies and strategies. I advise the board of directors and motivate the employees. I also ensure effective communication with shareholders, government and other relevant constituencies.

What is your greatest achievement to date?

Six years ago, I was the founder of the first and only Islamic investment house in the Levant area. SANA is a publicly listed Shariah compliant financial investment firm on the Amman Stock Exchange that was established in February 2006 with authorized capital of JOD20 million (US$28.4

million) divided into 20 million shares. It became a listed company in October 2006. After meeting the listing requirements, SANA was moved to the first market of the Amman Stock Exchange in April 2009.

Which of your products/ services deliver the best results?

We have structured the Al Sanabel International Holding Islamic Index, which monitors the Amman Stock Exchange listed stocks and filters the Shariah compliant ones, creating an excellent benchmark for investors who are interested in investing in Shariah products within a diversified portfolio. We are also in the process of structuring an index fund for Sanabel Islamic Index.

What are the strengths of your business?

SANA acts as an investment bank which gives us a better flexibility levels compared to the commercial ones. SANA is currently pursuing a focused differentiation development strategy by concentrating on Shariah compliant investments exclusively and offering a comprehensive mix of financial services to clients around the world with a tilt towards institutional and Jordanian investors. SANA achieves additional differentiation by engaging in direct and indirect investments using its own capital.

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

SANA is always creating innovative Islamic products and searching for unique Islamic investment opportunities as well as adhering to Shariah.

What are the obstacles faced in running your business today?

The general availability of information remains limited for what is still a young and evolving industry. The rules and regulations locally and internationally are not developed enough to practice the Shariah compliant investments in a proper way. We hope that a proper solution will be resolved in the future.

The supply of trained or experienced bankers has lagged behind the expansion of Islamic banking. One of the biggest challenges facing Islamic institutions is the provision of short-term investment instruments. Several institutions have tried to develop high quality short-term instruments, but have been hampered by their ability to generate assets, by their credit ratings and by liquidity.

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

I believe that more innovative Islamic financial products will be created and the world will understand the importance of Islamic finance.

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

I would like to see more innovative products which serve the needs of the potential investors who are willing to invest in accordance with Shariah. The Islamic finance investment options are still limited compared to the commercial ones which sometimes leave the investors with limited choices.

I hope to see more integration between Islamic institutions globally and to establish communication channels between Islamic entities enabling them to corporate with each other.

ISSUER	SIZE	DATE ANNOUNCED
MNRB Holding	RM150 million	16th October 2012
Banque Saudi Fransi	SAR2.5 billion	15th October 2012
Edaran SWM	RM1 billion	5th October 2012
International Islamic Liquidity Management Corporation	US$200 to 500 million	4th October 2012
Turkish Airlines	TBA	4th October 2012
Danainfra Nasional	RM1.5 billion	4th October 2012
Weststar Capital	RM900 million	4th October 2012
Dubai Electricity and Water Authority	AED4.5 billion	3rd October 2012
Tunisia sovereign	TBA	30th September 2012
Bank Asya	TRY150 million	25th September 2012
Qatar Islamic Bank	US$1.5 billion	16th September 2012
TH Plantation	RM1.5 billion	14th September 2012
Bolton	RM380 million	6th September 2012
HSBC Amanah	RM3 billion	4th September 2012
Sime Darby	US$1.5 billion	3rd September 2012
Malakoff Corporation	RM1.8 billion	17th August 2012
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	RM1 billion	1st August 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
Indosat	IDR300 billion	20th June 2012
Sadara	SAR1.4 billion	13th June 2012
UEM Group	RM2.2 billion	13th June 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
Johor Corp Group	RM3 billion	13th April 2012
Citra Marga	IDR1.2 trillion	12th April 2012
Nakheel	AED240 million	11th 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
Yemen sovereign	US$232 million	20th March 2012
Saudi Electricity Company	TBA	19th March 2012

IFN Correspondents

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

AUSTRALIA: Gerhard Bakker
director, Madina Village

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

BANGLADESH: Md Shamsuzzaman
executive vice president, Islami Bank Bangladesh

BERMUDA: Belaid A Jheengoor
director of asset management, PwC

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

CANADA: Jeffrey S Graham
partner, Borden Ladner Gervais

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

EGYPT: Dr Walid Hegazy
managing partner, Hegazy & Associates

FRANCE: Kader Merbouh
co head of the Executive Master of the Islamic Finance, Paris-Dauphine University

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

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
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IRELAND: Ken Owens
Shariah funds assurance partner, PwC Ireland

JAPAN: Serdar A. Basara
president, Japan Islamic Finance

JORDAN: Khaled Saqqaf
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KOREA: Yong-Jae Chang
partner, Lee & Ko

KUWAIT: Alex Saleh
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LUXEMBOURG: Marc Theisen
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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

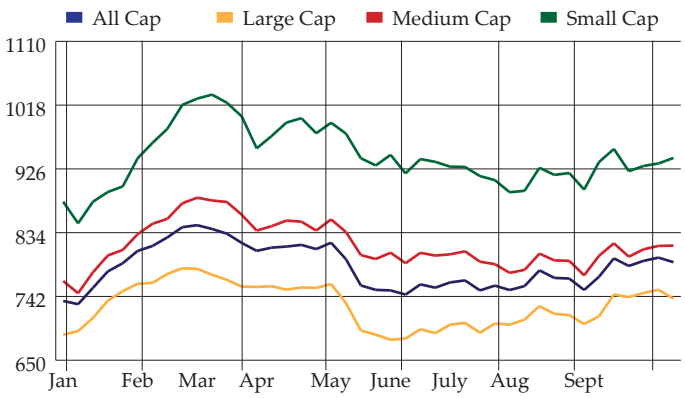
UK: Siraj Ibrahim
associate, Credit Agricole CIB

US: Saeid Hamedanchi
CEO, ShariahShares

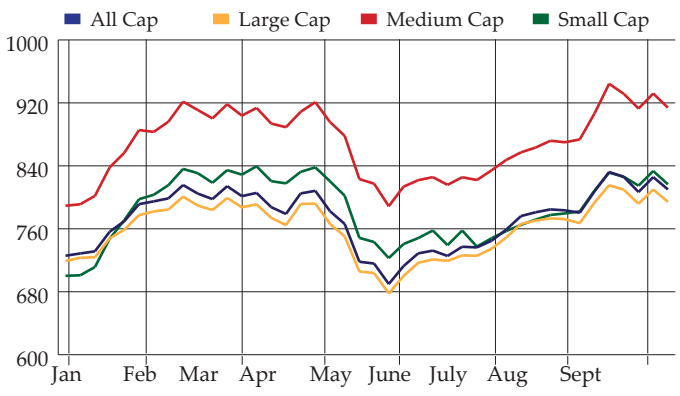
YEMEN: Moneer Saif
head of Islamic banking, CAC Bank

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

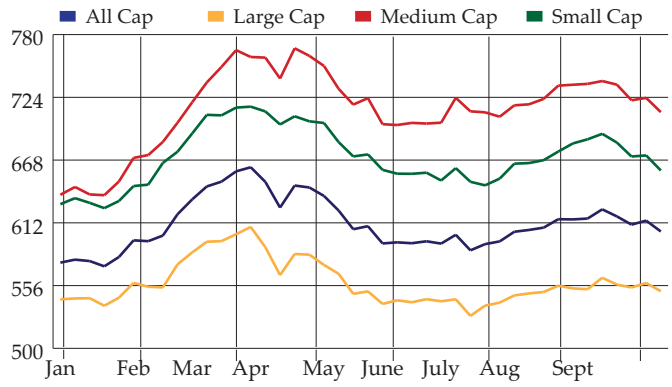
REDmoney Asia ex. Japan *6 Months*



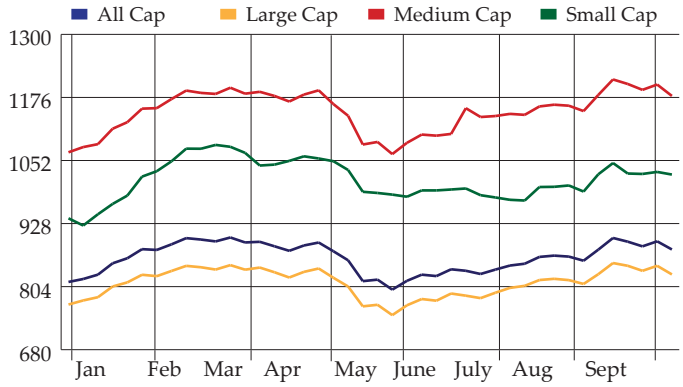
REDmoney Europe *6 Months*



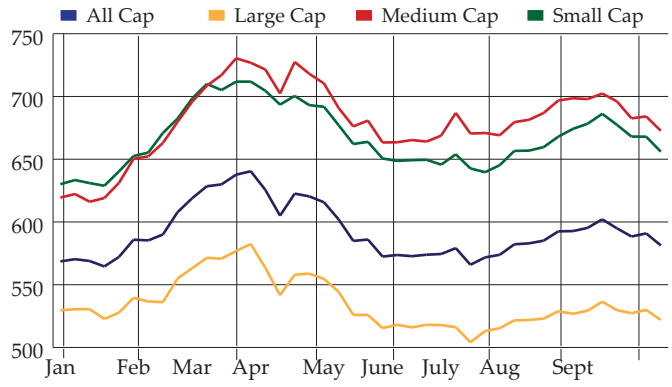
REDmoney GCC *6 Months*



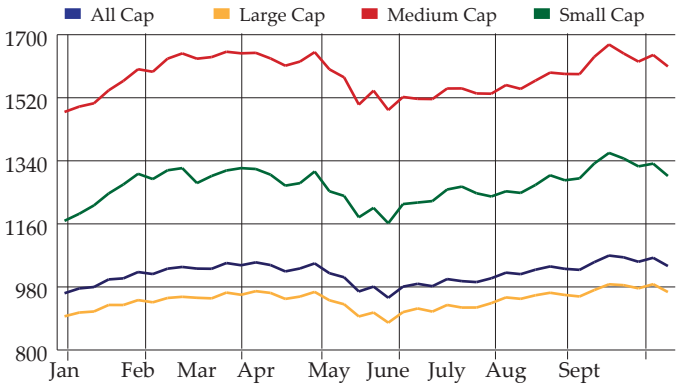
REDmoney Global *6 Months*



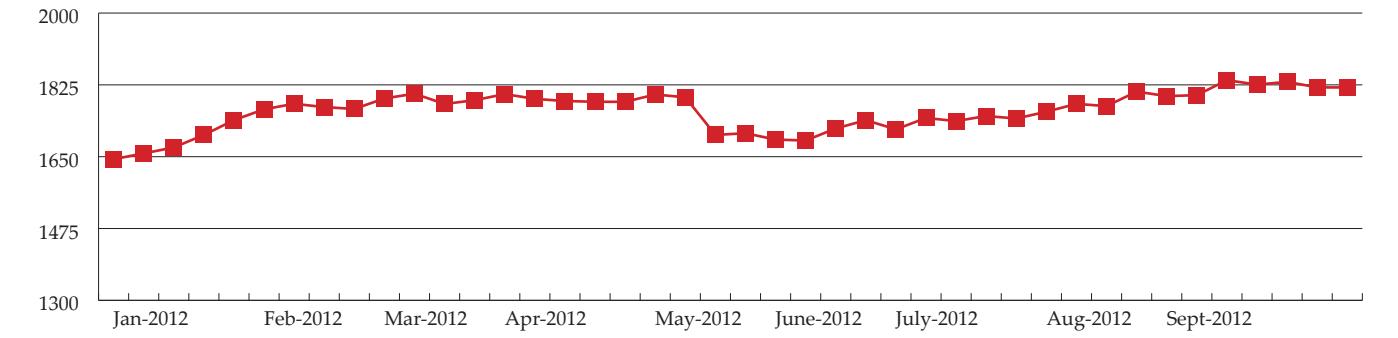
REDmoney MENA *6 Months*



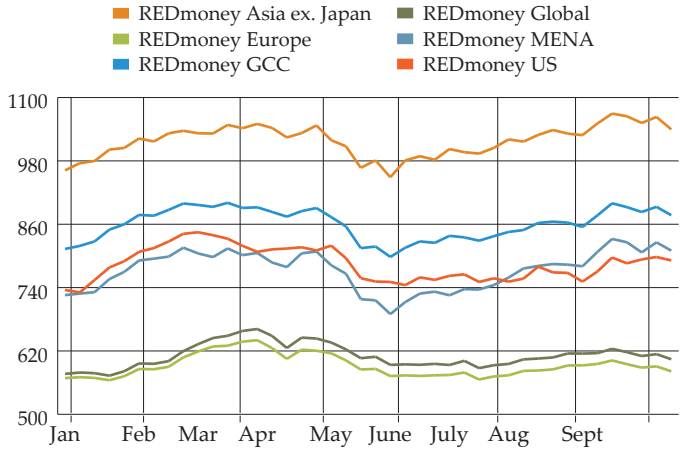
REDmoney US *6 Months*



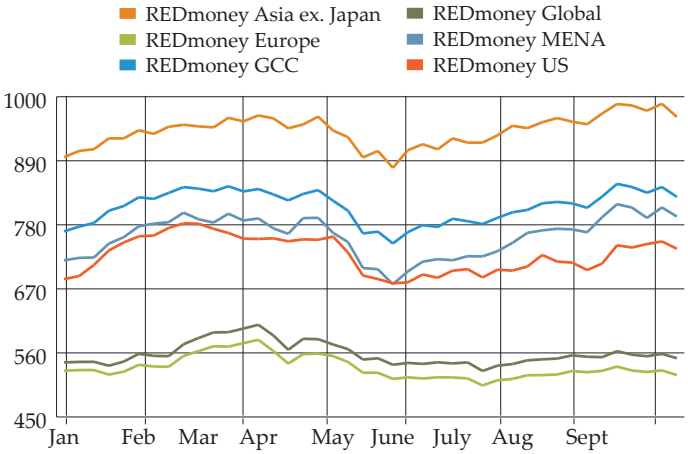
SAMI Halal Food Participation (All Cap) *6 months*



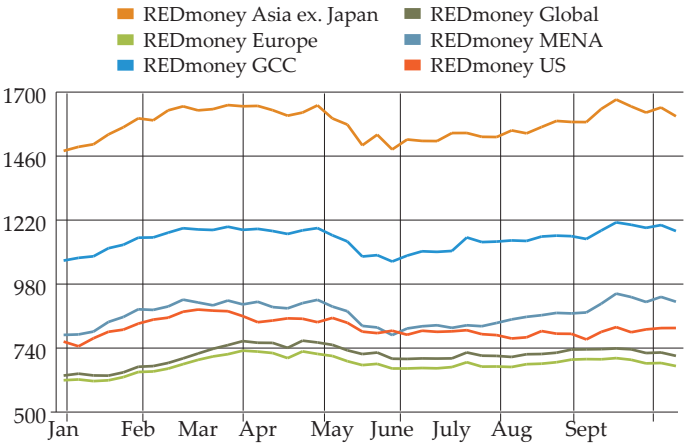
REDmoney Global Shariah Index Series (All Cap) *6 Months*



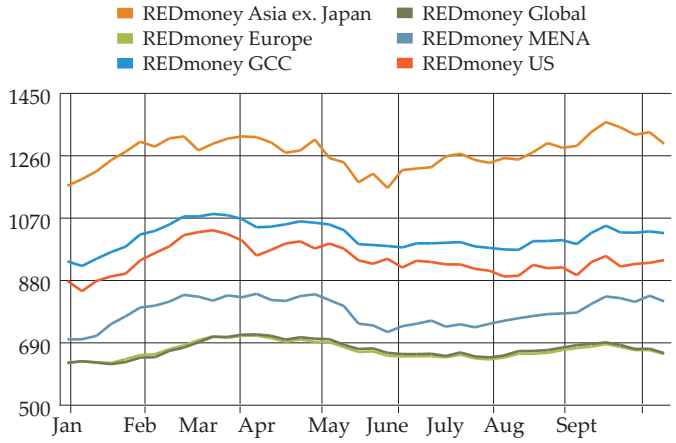
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



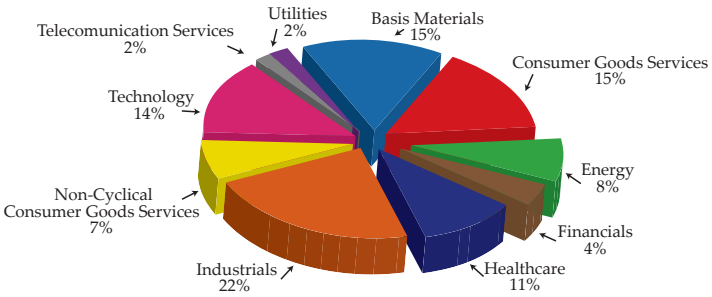
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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®

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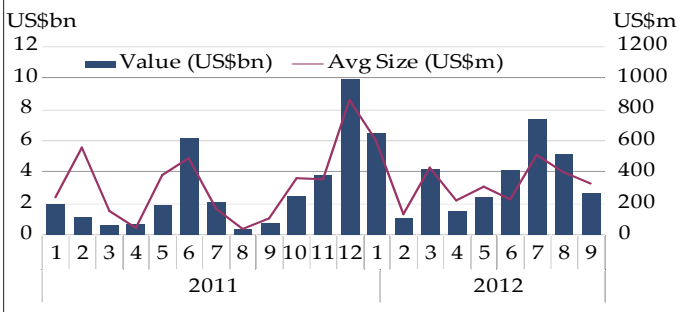
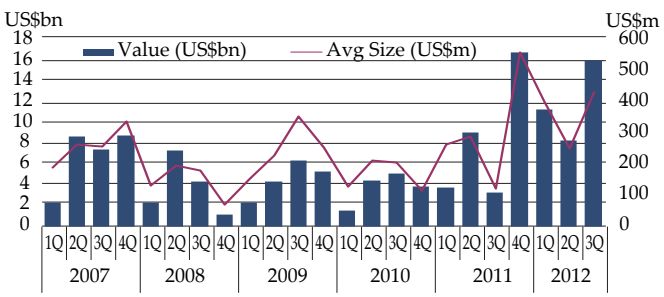
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
11th Oct 2012	Qatar International Islamic Bank	Qatar	Sukuk	Euro market public issue	700	Standard Chartered Bank, HSBC, Qatar National Bank
4th Oct 2012	Edaran SWM	Malaysia	Sukuk	Domestic market public issue	245	Hong Leong Bank, CIMB Group
3rd Oct 2012	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest
1st Oct 2012	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	651	CIMB Group, AmInvestment Bank
20th Sep 2012	Republic of Turkey	Turkey	Sukuk	Euro market public issue	1,500	HSBC, Kuwait Finance House, Citigroup
20th Sep 2012	MISC	Malaysia	Sukuk	Domestic market public issue	163	HSBC, CIMB Group, AmInvestment Bank
20th Sep 2012	HSBC Amanah Malaysia	United Kingdom	Sukuk	Domestic market public issue	163	HSBC, AmInvestment Bank, Hong Leong Islamic Bank, Maybank Investment Bank
18th Sep 2012	Malaysian Airline System	Malaysia	Sukuk	Domestic market private placement	165	Maybank Investment Bank
7th Sep 2012	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	321	CIMB Group, Maybank Investment Bank
3rd Sep 2012	Cagamas	Malaysia	Sukuk	Domestic market public issue	160	RHB Capital
29th Aug 2012	Malakoff Corporation	Malaysia	Sukuk	Domestic market private placement	577	Maybank Investment Bank
28th Aug 2012	Syarikat Prasarana Negara	Malaysia	Sukuk Murabahah	Domestic market public issue	644	RHB Capital, Kenanga Investment Bank, CIMB Group
15th Aug 2012	Tanjung Bin Power	Malaysia	Sukuk	Domestic market private placement	1,346	CIMB Group, Maybank Investment Bank
14th Aug 2012	Celcom Transmission (M)	Malaysia	Sukuk Murabahah	Domestic market public issue	1,605	HSBC, CIMB Group, Maybank Investment Bank
10th Aug 2012	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	806	Kenanga Investment Bank, DRB-HICOM, CIMB Group, AmInvestment Bank
9th Aug 2012	Kuala Lumpur Kepong	Malaysia	Sukuk Ijarah	Domestic market public issue	322	CIMB Group, Maybank Investment Bank
1st Aug 2012	SME Bank	Malaysia	Sukuk	Domestic market public issue	159	Kuwait Finance House, 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

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	17.7	RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
2	State of Qatar	Qatar	Sukuk	Euro market public issue	4,000	7.4	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest, Barwa Bank
3	General Authority for Civil Aviation	Saudi Arabia	Sukuk	Domestic market private placement	4,000	7.4	HSBC
4	Saudi Electricity Company	Saudi Arabia	Sukuk	Euro market public issue	1,750	3.2	Deutsche Bank, HSBC
5	Celcom Transmission (M)	Malaysia	Sukuk Murabahah	Domestic market public issue	1,590	2.9	HSBC, CIMB Group, Maybank Investment Bank
6	Manjung Island Energy	Malaysia	Sukuk Ijarah	Domestic market public issue	1,545	2.9	Lembaga Tabung Haji, CIMB Group
7	Republic of Turkey	Turkey	Sukuk	Euro market public issue	1,500	2.8	HSBC, Kuwait Finance House, Citigroup
8	Tanjung Bin Power	Malaysia	Sukuk	Domestic market private placement	1,298	2.4	CIMB Group, Maybank Investment Bank
9	Dubai DOF Sukuk	UAE	Sukuk	Euro market public issue	1,250	2.3	HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Citigroup
10	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	1,110	2.1	CIMB Group, Maybank Investment Bank
11	Tanjung Bin Energy Issuer	Malaysia	Sukuk Tawaruq	Domestic market private placement	1,089	2.0	HSBC, OCBC, RHB Capital, DRB-HICOM, CIMB Group, Affin Investment Bank, Maybank Investment Bank
12	Perusahaan Penerbit SBSN Indonesia II	Indonesia	Sukuk Ijarah	Euro market public issue	1,000	1.8	Standard Chartered Bank, HSBC, Citigroup
12	EIB Sukuk	UAE	Sukuk	Euro market public issue	1,000	1.8	Standard Chartered Bank, HSBC, Royal Bank of Scotland, National Bank of Abu Dhabi, Citigroup, Emirates NBD, Dubai Islamic Bank, Credit Agricole
14	Johor Corporation	Malaysia	Sukuk	Domestic market public issue	939	1.7	CIMB Group, Affin Investment Bank, AmInvestment Bank, Maybank Investment Bank
15	Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	817	1.5	Maybank Investment Bank
16	Maxis	Malaysia	Sukuk Musharakah	Domestic market public issue	805	1.5	CIMB Group, Maybank Investment Bank
17	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	800	1.5	Saudi National Commercial Bank, Standard Chartered Bank, BNP Paribas, HSBC, CIMB Group
18	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	796	1.5	RHB Capital, Kenanga Investment Bank, AmInvestment Bank
19	ANIH	Malaysia	Sukuk	Domestic market private placement	786	1.5	CIMB Group, Maybank Investment Bank
20	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	752	1.4	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
21	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	1.4	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest
21	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	750	1.4	Standard Chartered Bank, BNP Paribas, Citigroup
21	BSF Sukuk	Saudi Arabia	Sukuk	Euro market public issue	750	1.4	Deutsche Bank, Citigroup, Credit Agricole
24	Qatar International Islamic Bank	Qatar	Sukuk	Euro market public issue	700	1.3	Standard Chartered Bank, HSBC, Qatar National Bank
25	Aman Sukuk	Malaysia	Sukuk	Domestic market public issue	700	1.3	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
26	Khazanah Nasional	Malaysia	Sukuk	Domestic market private placement	652	1.2	Kenanga Investment Bank, DRB-HICOM, CIMB Group, AmInvestment Bank
27	Jafz Sukuk	UAE	Sukuk	Euro market public issue	650	1.2	Standard Chartered Bank, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD
28	Syarikat Prasarana Negara	Malaysia	Sukuk Murabahah	Domestic market public issue	644	1.2	RHB Capital, Kenanga Investment Bank, CIMB Group
29	Malakoff Corporation	Malaysia	Sukuk	Domestic market private placement	577	1.1	Maybank Investment Bank
30	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	561	1.0	Maybank Investment Bank
	Total				**54,231**	**100**	

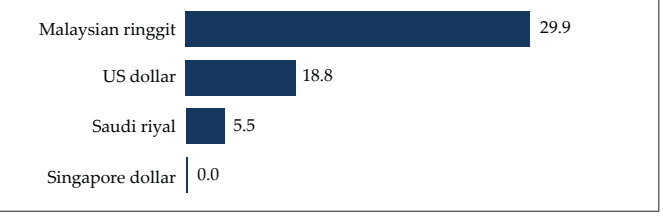
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	HSBC	10,366	29	19.1
2	CIMB Group	9,096	38	16.8
3	Maybank Investment Bank	8,968	40	16.5
4	AmInvestment Bank	4,393	23	8.1
5	RHB Capital	3,148	31	5.8
6	Standard Chartered Bank	3,117	20	5.8
7	Deutsche Bank	2,213	5	4.1
8	Citigroup	2,130	10	3.9
9	Lembaga Tabung Haji	1,063	4	2.0
10	QInvest	988	2	1.8
11	Dubai Islamic Bank	868	7	1.6
12	Barwa Bank	863	2	1.6
13	National Bank of Abu Dhabi	797	6	1.5
14	Kuwait Finance House	678	5	1.3
15	Kenanga Investment Bank	666	4	1.2
16	Affin Investment Bank	468	4	0.9
17	Emirates NBD	439	5	0.8
18	JPMorgan	425	2	0.8
19	BNP Paribas	410	2	0.8
20	Abu Dhabi Islamic Bank	409	5	0.8
21	Hong Leong Bank	374	3	0.7
22	Credit Agricole	350	2	0.7
23	DRB-HICOM	348	8	0.6
24	Qatar National Bank	233	1	0.4
25	OCBC	219	4	0.4
26	Abu Dhabi Commercial Bank	218	2	0.4
27	Saudi National Commercial Bank	160	1	0.3
28	Riyad Bank	153	2	0.3
29	Bank of America Merrill Lynch	125	1	0.2
30	Royal Bank of Scotland	99	2	0.2
	Total	**54,231**	**131**	**100.0**

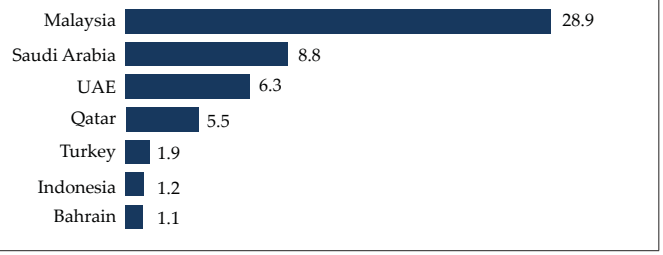
Top Islamic Finance Related Project Finance Mandated Lead Arrangers *12 Months*

	Mandated Lead Arranger	US$ (million)	No	%
1	Public Investment Fund	1,011	4	9.0
2	SABB	873	3	7.8
3	Arab National Bank	860	3	7.7
4	Samba Financial Group	676	4	6.0
5	Banque Saudi Fransi	537	3	4.8
6	HSBC Holdings	447	3	4.0
7	Riyad Bank	428	3	3.8
8	Sumitomo Mitsui Financial Group	404	2	3.6
9	KfW Bankengruppe	369	2	3.3
10	Mitsubishi UFJ Financial Group	360	1	3.2

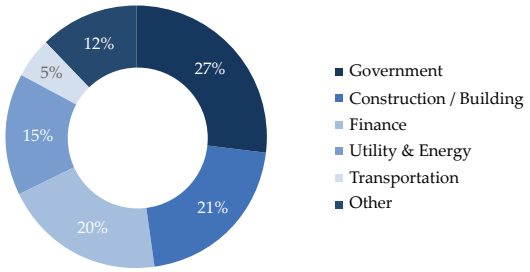
Sukuk Volume by Currency US$ (billion) *12 Months*



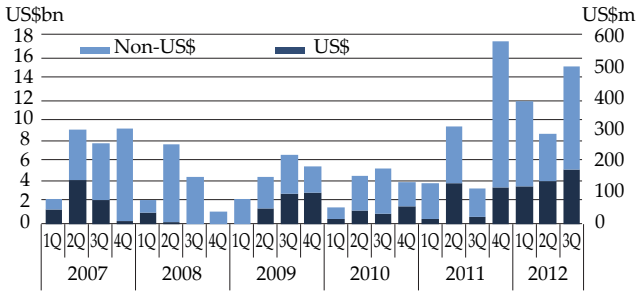
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	21.2
2	White & Case	3,579	2	18.1
3	Skadden Arps Slate Meagher & Flom	3,281	1	16.6
4	Al-Jadaan & Partners Law Firm	1,586	2	8.0
4	Baker & McKenzie	1,586	2	8.0
4	Clifford Chance	1,586	2	8.0
7	Baker Botts	917	1	4.6
7	Chadbourne & Parke	917	1	4.6
9	Linklaters	684	2	3.5
10	Saudilegal	386	1	2.0

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	SABB	1,684	6	8.6
2	Banque Saudi Fransi	1,232	5	6.3
3	Samba Capital	1,093	5	5.6
4	Al-Rajhi Banking & Investment	1,075	5	5.5
5	Saudi National Commercial Bank	991	5	5.0
6	Arab National Bank	906	3	4.6
7	Maybank Investment Bank	819	5	4.2
8	AmInvestment Bank	704	3	3.6
9	CIMB Group	679	2	3.5
10	Standard Chartered Bank	636	9	3.2
11	RHB Capital	631	1	3.2
12	Emirates NBD	621	6	3.2
13	HSBC	584	6	3.0
14	Noor Islamic Bank	566	7	2.9
15	Saudi Hollandi Bank	538	2	2.7
15	Riyad Bank	538	2	2.7
17	Abu Dhabi Islamic Bank	495	8	2.5
18	Dubai Islamic Bank	487	3	2.5
19	Citigroup	460	5	2.3
20	Barwa Bank	378	3	1.9
21	Standard Bank	289	1	1.5
21	National Bank of Kuwait	289	1	1.5
21	Gulf Bank	289	1	1.5
21	DBS	289	1	1.5
21	Credit Agricole	289	1	1.5
26	Mashreqbank	226	4	1.2
27	Al Hilal Bank	224	6	1.1
28	Qatar Islamic Bank	223	2	1.1
29	Qatar International Islamic Bank	213	1	1.1
29	Masraf Al Rayan	213	1	1.1

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

	Bookrunner	US$ (mln)	No	%
1	Credit Agricole	867	1	11.4
1	Banque Saudi Fransi	867	1	11.4
1	Al-Rajhi Banking & Investment	867	1	11.4
4	QInvest	517	2	6.8
5	HSBC	500	4	6.6
6	Abu Dhabi Islamic Bank	470	5	6.2
7	Emirates NBD	408	4	5.4
8	Standard Chartered Bank	399	6	5.3
9	Citigroup	390	4	5.1
10	Noor Islamic Bank	330	3	4.3

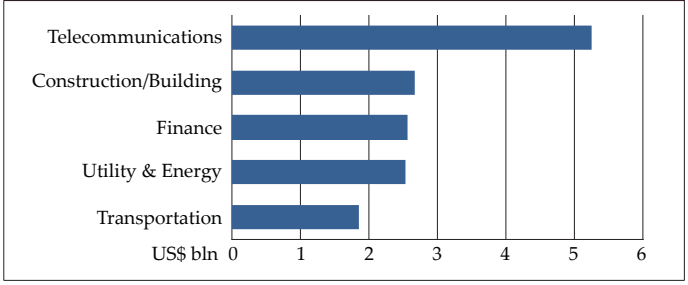
Top Islamic Finance Related Loans Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
13th Dec 2011	Barzan Gas	Qatar	5,442
12th Feb 2012	Mobily	Saudi Arabia	2,667
25th Jul 2012	Zain Saudi	Saudi Arabia	2,600
11th Jun 2012	DanaInfra Nasional	Malaysia	2,525
2nd Dec 2011	Hajr for Electricity Production	Saudi Arabia	1,981
4th Jul 2012	Dubai Duty Free	UAE	1,749
14th Feb 2012	Power & Water Utility for Jubail & Yanbu	Saudi Arabia	1,200
13th Jun 2012	Jebel Ali Free Zone	UAE	1,198
30th Jun 2012	TIBAH	Saudi Arabia	1,193
25th Jun 2012	Bawabat Al Shamal Real Estate Company	Qatar	1,154

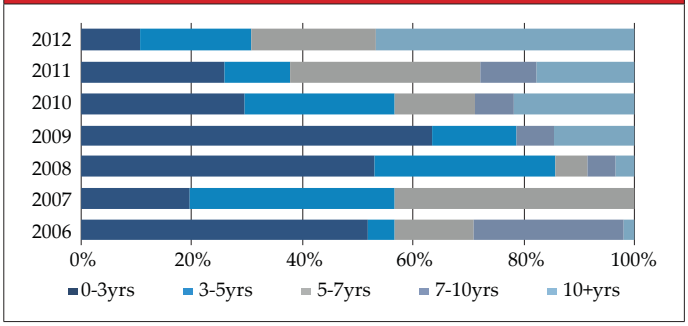
Top Islamic Finance Related Loans by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	9,496	8	48.2
2	UAE	3,461	8	17.6
3	Malaysia	3,035	5	15.4
4	Qatar	1,317	2	6.7
5	Turkey	1,256	5	6.4
6	Sri Lanka	350	2	1.8
7	Pakistan	233	6	1.2
8	Singapore	207	1	1.1
9	Indonesia	183	4	0.9
10	Brunei Darussalam	170	1	0.9

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

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

17th — 18th October 2012
Middle East Takaful Forum
Manama, 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*)

27th — 28th November 2012
2012 International Real Estate Finance (IREF) Summit
London, UK (*ICG Events*)

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

3rd December 2012
Alpha Asia 2012
Singapore (*All Events Group*)

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

4th – 6th December 2012
8th World Islamic Economic Forum
Johor Bahru, Malaysia
(*WIEF Foundation*)

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

8th — 10th December 2012
Global Islamic Microfinance Forum
Dubai, UAE (*Al Huda CIBE*)
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)*

Next Forum Question:

What are the current investment trends for high net worth investors in the face of ongoing global volatility and how should Islamic wealth managers approach this period?

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 19th October 2012.

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