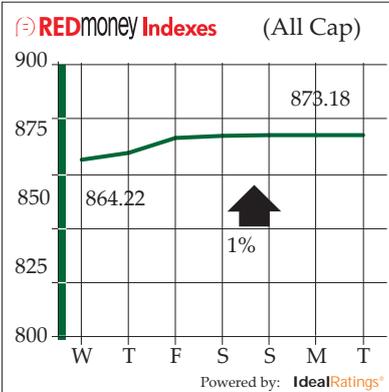


Islamic Finance *news*

The World's Global Islamic Finance News Provider

REDmoney publication

5th December 2012



Volume 9 Issue 48

IFN Rapids	2
Islamic Finance news	6
Islamic Finance news Awards:	
Best Service Providers Poll 2012	11
IFN Reports: Emerging markets take center stage amid financial industry restructuring	12
IFN Correspondents: Czech Republic; Maldives; Singapore	13
Case study:	
National Bank of Abu Dhabi's US\$164.3 million Sukuk	14
Features:	
An eventful year for the Islamic finance industry in Sri Lanka	15
Leasing industry trends in Sri Lanka	17
Islamic Stockbroking in Malaysia:	
Prognosticating the Future	18
Hukum Syara' in Islamic banking and finance in Brunei Darussalam: Practical legal issues – Part III	20
Meet the Head: Arshad A Ahmed, co-founder and managing director, Elixir Capital	22
Forum	23
Deal Tracker	26
Eureka hedge data	27
REDmoney Indexes	29
Performance League Tables	31
Events Diary	35
Company Index	36
Subscription Form	36

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Taking away the training wheels

Indonesia is set to introduce a follow-up to its banking regulation, requiring that all Takaful companies become standalone operations within three years of implementation. We take a look at what impact this might have on the fledgling industry, and what participants can expect for the future.

While some believe that the proposed regulation will provide new opportunities within the Indonesian market, others have raised concerns. Window operations are often financially stronger and more sound than new fully-fledged companies, and in a market as small and new as Indonesia, is it really wise to remove parental protection so soon?

The new regulation is included in the draft insurance law that has only just gone to parliament; and therefore has not yet been passed. However, according to an industry source: "Once a bill goes to parliament in Indonesia it is very rare that there are any meaningful changes made to it," so we should be preparing ourselves for the move.

What, where and when?

What the regulation will do, explains Bert Paterson, the president director and country manager at Sun Life Financial Indonesia, is call for all Shariah units and windows operating in the insurance industry in Indonesia be converted to standalone companies within three years of the law being enacted.

"We don't know how long parliament will spend debating this, but I think it is safe to assume that it will be passed at some stage — if not before the end of this year then definitely in 2013," he explains. "So realistically we would be looking at a deadline of some point in 2016."

Takaful in Indonesia

The Ernst & Young World Takaful Report 2012 notes that: "Indonesia is emerging as a significant Takaful market, overtaking several of the GCC countries in gross written contributions (GWC). Along with Malaysia and Brunei, the other two important Takaful markets in Southeast Asia, the region accounts for US\$2 billion in total GWC." The report notes that in 2010 Indonesia saw a growth in GWC of 25%, and a compound annual growth between 2005-09 of 35% (compared to 29% for Malaysia and 54% for the GCC), making it one of the fastest-growing markets in the world. With a Muslim population of around 213 million and total insurance penetration of less than 1.5%, the market holds huge potential for growth.

Although the Islamic insurance sector holds a tiny fraction of the market it is growing rapidly, with gross premiums of IDR4.97 trillion (US\$518.08 million) in 2011 compared to just IDR499 billion (US\$52.02 million) in 2006, and expected to grow by up to 30% in 2013 according to the Indonesian Shariah Insurance Association (ASII).

continued on page 3

In the spotlight

Editor's Note

Indonesia has long caught the attention of bankers looking to capture a slice of the country's flourishing market for Islamic finance. With a slew of regulations in the pipeline set to impact both the country's Islamic and conventional finance industries, our cover story this week looks at impending rules for Takaful operations in the world's most populous Muslim country...

continued on page 5

A fine example of
Shariah inspired innovation.

CIMB ISLAMIC

DEALS

International Islamic Trade Finance Corporation extends financing to **Gambia Groundnut Corporation**

UEM Land Holdings to issue US\$652.54 million Sukuk

Bolton issues US\$49.31 million-worth of Sukuk

Malaysia Airlines System to raise US\$1.02 billion through rights issue to repay debt including Sukuk

Australian solar companies to issue Sukuk

Teknologi Tenaga Perlis Consortium seeks approval for US\$272.44 million Sukuk issuance

NEWS

IDB and the **Arab Fund for Economic and Social Development** provide financing for power plants

Banque Populaire de Mauritanie signs on for **Path Solutions'** Islamic banking software

Nigeria seeks US\$44 billion in **IDB** funds as part of three-year external funding plan

Gatehouse Bank and **Brennan Investment Group** acquire second US property portfolio

BIMB Holdings reports 31.4% growth in nine-month profits

Falling Turkish sovereign Sukuk yields could encourage issuances by corporates and banks

Danajamin Nasional guarantees US\$1.82 billion-worth of Sukuk and conventional bonds

CIMB sees Australia's first Sukuk in 2013

AUB stake sale— a sign of things to come?

Islamic finance faces tough environment Down Under

IDB co-finances energy and water programs in Bangladesh and the Gaza Strip

Law firms **K&L Gates** and **Middletons** to join forces

National Commercial Bank nominated to **General Council for Islamic Banks and Financial Institutions**

IdealRatings and **Mash Consulting Group** team up to provide Shariah services to financial institutions in sub-Saharan Africa

Kuwait Finance House to deploy **International Turnkey Systems'** Islamic banking platform

Zain Saudi postpones

repayment of US\$2.4 billion Murabahah financing facility for the fifth time

Central Bank of Bahrain to issue new rules for Islamic and conventional securities

Keeping an eye out for Islamic finance in Europe

Sakana Holistic Housing Solutions in consultancy and financing MoU with **Master Group - Bahrain**

Sharjah Islamic Bank partners with **Ruwad Establishment** to fund UAE SMEs

Noor Islamic Bank could take up to five years to comply with government exposure limits

World Bank and **AAOIFI** to co-host Annual Conference on Islamic Banking and Finance

Dubai Islamic Bank rolls out new SME financing range

Alizz Islamic Bank lists shares on the **Muscat Securities Market**

BankDhofar appoints **IFS** to implement Shariah compliant products

KFH-Research, **UN-ESCWA** and central statistical bureau consider preparing private sector indicators

New faces in Sukuk market

Aman Union members contribute US\$17.4 billion in investment and export coverage for **OIC** member countries in 2012

Takaful Ikhlas targets US\$21.63 million in first year revenue from new offering

SALAMA reports underwriting losses from Thai flooding exposure

MAA Group to focus on growing Takaful business

Public Mutual announces income distributions

Securities Commission Malaysia updates list of Shariah compliant stocks

Barwa Bank sees US\$27.47 million fund size for The First Investor GCC Equity Opportunities Fund (Qatar)

QIB (UK) closes seventh tranche of Hemaya Masaref structured notes

RATINGS

S&P assigns rating on **Weqaya Takaful Insurance and Reinsurance Company**

MOVES

Alkhabeer Capital appoints **Dr Henri J Chaoul** as its new chief investment strategist

Disclaimer: Islamic Finance news invites leading practitioners and academics to contribute short reports each week. Whilst we have used our best endeavors and efforts to ensure the accuracy of the contents we do not hold out or represent that the respective opinions are accurate and therefore shall not be held responsible for any inaccuracies. Contents and copyright remain with REDmoney.



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Taking away the training wheels

Continued from page 1

The Capital Market and Financial Services Supervisory Agency (BAPEPAM-LK) also has high hopes of the industry. "AASI itself is aiming for a 5% market share by 2015, but since there are many companies wanting to enter the Shariah insurance market this year, hopefully that target can be achieved much sooner," said Isa Rachmatarwata, the insurance bureau head at BAPEPAM-LK, in an interview earlier this year.

“If you have gone to the expense of setting up, capitalizing and starting a company, then you are going to push for critical mass. Critical mass means new customers, which means increased penetration”

Consolidation

With the market booming, players are jostling to enter, which may have precipitated the move to regulate. Today in Indonesia there are 17 Shariah windows along with three fully-fledged Shariah companies, and the regulator has made it clear that change is in the air. "When a similar regulation was passed for the banks in Indonesia, they were given 15 years to complete the process," points out Paterson. "We have been given three. It just shows you how far the country has come in such a short time."

While the three standalone companies are already operating within the proposed law, the 17 windows are in a very different position. Although

some are large enough to cope with the move, others may lack the capital it would take to stand alone; while others, particularly the large international firms, might decide that creating a new entity is not worth the cost.

However, with many firms seeing strong growth in 2012, a race could ensue to snap up the best bargains, with the bigger firms snapping at the smaller. Allianz Life Syariah for example, the Islamic subsidiary of insurance giant Allianz Life Indonesia, saw its gross premium income for the first half of 2012 surge by 44% to IDR269 billion (US\$28.4 million) with 70% coming from new premiums. With performance of this strength, and with the strong capital backing of its parent, it is unlikely that a player of this size will back away from the market.

In comparison, some overseas firms hold stakes in several Shariah windows in Indonesia, and may be reluctant to bear the cost of transforming all of them into fully-fledged entities. For example, Malaysia-based Syarikat Takaful Malaysia owns a 56% stake in Syarikat Takaful Indonesia, which in turn owns a 57.24% stake in Asuransi Takaful Keluarga Indonesia and a 52.67% stake in Asuransi Takaful Umum. What will it do with all these once the law comes through?

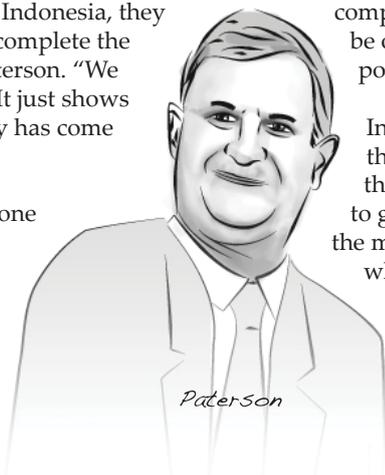
New opportunities

"My guess is that is that not all 17 will choose to convert, for the very simple reason that in order to justify the finance and the capital cost of a new company, you need critical mass," comments Paterson. "Not all of the units will have critical mass, and therefore perhaps the shareholders will be reluctant to fund a fully-fledged Shariah company. Maybe there will be opportunities to buy a portfolio of business."

In fact, Paterson believes that the new law could help the Shariah insurance sector to grow. "The Shariah part of the market is just 0.03% of GDP, which is almost negligible.

In theory and in practice, I think that if you have gone to the expense

continued...



CLOSING BELL

Cagamas issues US\$40.78 million Sukuk Murabahah

MALAYSIA: National mortgage company Cagamas issued RM125 million (US\$40.78 million) of multi-tenored Sukuk Murabahah on the 4th December 2012. ☺

Qatar Central Bank now the supreme regulator of financial institutions

QATAR: The government issued a new law on the 3rd December 2012 which will enable financial institutions including banks, financial services companies, exchange companies, insurance providers as well as the Qatar Exchange to be ruled under one single regulatory body, the Qatar Central Bank.

Prior to this, insurance bodies in the state were regulated by the ministry of business and trade while the Qatar Exchange was under the Qatar Financial Markets Authority. ☺

Continued decline in rupiah yields

INDONESIA: The government's decision to reduce Sukuk sales by 12% next year is expected to prolong the decline in rupiah yields, said CIMB-Principal Asset Management (Indonesia) and Manulife Aset Manajemen Indonesia to Bloomberg. ☺

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Taking away the training wheels

Continued from page 3

of setting up, capitalizing and starting a company, then you are going to push for critical mass. Critical mass means new customers, which means increased penetration. I think that we can expect to see people maybe more focused on the Shariah side of the business than they have been up till now, so maybe it will be a good thing."

However what is not clear at this stage is what the rules would be for the acquisition of business in the situation. Would you need to get individual policyholders to agree? Could you do it on a block basis? How would you actually define the cost of an Islamic policy? All of these will need to be clarified before any action can be taken.

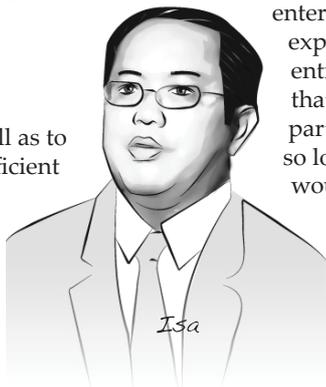
Consumer clarification

In addition, there are concerns that the reputation of a Shariah unit could be impacted by its departure from the parent firm, causing it to lose business. "If you take Sun Life," explains Paterson: "A customer buys one of our Shariah or our conventional products, and a large part of their purchasing decision is the fact that it is a Sun Life policy. We are known as a very conservative, very strong company. If we suddenly set up a Shariah company, then do we have to seek our current Shariah customers' approval to move their business from Sun Life financial to the new company? Or is it going to be something that is just done automatically? There are all kinds of interesting and non-trivial things that need to be clarified."

And although he has faith in the regulator to assist the industry in its conversion, he foresees a tough road ahead: "The Shariah association and of course the conventional insurance association will work together to ensure the transition is as smooth as possible. But its not going to be straightforward."

Cost concerns

Obviously it is for each company to make the call as to whether they have a sufficient volume of business to justify setting up a standalone firm. But there is no doubt that whatever happens, companies are going



to have to decide what to do with their current books of business — whether to transfer them to their own standalone business or transfer them to someone else, as conventional companies will not be allowed to write Shariah business. So changes are undoubtedly on the horizon.

“The biggest challenge, and the second-biggest challenge, and the third-biggest challenge, will be people, people and people”

"As far as Sun Life are concerned — we do our financial modelling, we know what the forecast looks like for us, and we are quite confident that we will be able to cope with a post-conversion world," says Paterson. "At this point in time we sell our business mainly through our agency, and we are currently averaging about 17-20% in any particular month of our total agency business as Shariah. So we are quite happy with the way that is going, and we are quite confident that we will have the critical mass needed. We are fairly relaxed — although we are not underestimating the work that needs to be done in incorporating a new business and getting it up and running."

Foreign entry

There are additional concerns that the rules could inhibit foreign firms from entering the market due to the expense of setting up a separate entity. However, many believe that the overall penetration rate, particularly for Life Takaful, is so low that most new companies would be looking at the conventional space anyway. The overall penetration rate of the Life market in Indonesia is just 1% of GDP, including Shariah and

conventional. The share by the Shariah side is just 0.3%, and thus negligible for most of the bigger firms. "Most of the businesses we have seen representing firms that want to come into the market have been focusing on the conventional side of the business. I am struggling to think of someone who has been asking purely about the Shariah side," says Paterson.

"And of course, if you look at the kind of companies who are looking at Indonesia, they tend to be the big international companies who are not already here — or the Korean companies or the Japanese companies. I think it is a natural fit that they go with conventional."

For existing foreign Takaful firms however, he believes the new rule would have little impact. "They have to enter somehow, and if you are a pure Takaful player currently, then I assume that you would want to enter Indonesia on the same basis," agrees another market player. "This means they would have to acquire an existing Takaful license, or apply for a new license. I do not think it would inhibit entry at all. "You could argue that in fact it presents an opportunity, because if some of the companies currently operating windows choose not to set up a standalone company, then there is maybe the chance to acquire a block of business."

Nevertheless, some companies have already been put off from entering the market. Malaysian firm Great Eastern Takaful already announced in August that it had postponed a planned 2012 expansion to Indonesia to 2014 due to the proposed regulatory changes. It already has an Islamic presence in the country through the Takaful window of its Indonesian subsidiary Great Eastern Life Indonesia, which it will also have to convert if the law is implemented.

"What is tricky for companies going into Indonesia is that buying a company with a license is not cheap, because the market has already adjusted for the growth potential," said Abdul Rauf Rashid, the country managing partner at Ernst & Young in Malaysia, in a recent interview with Bloomberg. "But has Indonesia ticked all the boxes required to realize that potential? Probably not yet."

continued...

Taking away the training wheels

Continued from page 4

The talent war

One of the biggest of these empty boxes is the talent shortage, which has become perhaps the most serious issue in the industry. "There is already a war for talent here," warns Paterson. And like in many other markets, there are certain skillsets that are in very short supply.

If we work on the assumption that all 17 Shariah windows choose to convert, what this means is that within three years of the law being enacted, Indonesia will have to find 17 CEOs, 17 Shariah qualified advisors... in fact 17 new posts for every position. "There are seven positions described in Indonesia that are needed," explains Paterson. "That means finding 119 new experts. What this is going to do is fuel what is already a fairly severe shortage of people in the market. Quite frankly they just don't exist. The prospect of recruiting 17 fully qualified Shariah actuaries for example – that is

going to be a real problem."

Although of course the Islamic insurers in Indonesia try to source locally, this is not always possible and there are rumors of a crackdown by the authorities on expat workers coming into the country.

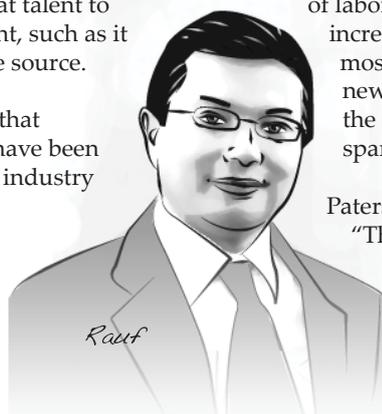
"Most of the companies in the market have got expats and rely heavily on bringing in that talent, and we also rely heavily on that talent to develop local talent, such as it is," comments one source.

"I do understand that some companies have been challenged by the industry in recent months, although this is only rumor," notes another player. "But we have not

experienced that yet. I would expect most of our current staff would be happy to move to the new company, should it be required. But we would hope that the regulator would understand that initially there may be a requirement for increased numbers of expats to get the companies and the customers through that first stage of transition."

With a crackdown by the ministry of labor and the new law looking increasingly likely, it looks like the most significant impact that this new law may have is to intensify the race for talent in an already sparse marketplace.

Paterson sums up the situation: "The biggest challenge, and the second-biggest challenge, and the third-biggest challenge, will be people, people and people." ☺ – LM



In the spotlight

Editor's Note

Indonesia has long caught the attention of bankers looking to capture a slice of the country's flourishing market for Islamic finance. With a slew of regulations in the pipeline set to impact both the country's Islamic and conventional finance industries, our cover story this week looks at impending rules for Takaful operations in the world's most populous Muslim country.

This week's issue also unveils results of our Best Service Providers Poll 2012, which saw a record number of votes

received in the poll's eight-year history.

We also bring you the third and final instalment on legal issues in Islamic banking and finance in Brunei from Muhd Jamil Abas Abdul 'Ali @ James Chiew of Abrahams, Davidson & Co; while Mohammad Mahbubi Ali and Shabana M Hasan of the International Shari'ah Research Academy for Islamic Finance (ISRA) write on Islamic stockbroking in Malaysia.

Our issue this week also shines the spotlight on Sri Lanka, where Athif Shukri of Adl Capital contributes a feature on developments in the Islamic

finance industry in the country; and Shiraz Refai of Al-Falaah, Islamic Business Unit, Lanka ORIX Finance, highlights leasing industry trends.

Our IFN Reports include an interview with Iqbal Khan, CEO of Fajr Capital; and our IFN Correspondents write on developments in the Czech Republic, the Maldives and Singapore.

Meet the Head profiles Arshad A Ahmed, the co-founder and managing director of Elixir Capital; while our Case Study looks at National Bank of Abu Dhabi's US\$164.3 million Sukuk. ☺



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Islamic Finance news

DEALS

Financing for groundnuts

GAMBIA: The International Islamic Trade Finance Corporation has extended US\$14 million-worth of Murabahah structured financing to the Gambia Groundnut Corporation (GGC), with a 6% profit rate per annum for two years, according to Amat S Njie, the finance manager of GGC. ⁽²⁾

UEM Land Sukuk in the pipeline

MALAYSIA: UEM Land Holdings will issue up to RM2 billion (US\$652.54 million)-worth of Sukuk under a debt offering that will be its first. The funds will be used for working capital and to repay debt and redeem convertible preference shares. ⁽²⁾

Bolton sells three-tranche Sukuk

MALAYSIA: Property developer Bolton issued RM150 million (US\$49.31 million)-worth of Sukuk on the 30th November 2012, as part of its RM230 million (US\$75.61 million) Islamic medium-term notes program.

The Sukuk comprised a five-year, RM20 million (US\$6.57 million) offering and

two RM65 million (US\$21.37 million) tranches with six and seven-year maturities. The papers will pay coupons of 4.1%, 4.2% and 4.3%, respectively. ⁽²⁾

MAS in cash call to repay debt

MALAYSIA: Malaysia Airlines System (MAS) is planning to raise up to RM3.1 billion (US\$1.02 billion) through a rights issue which will be put towards early payments for its recent aircraft purchases financed by the company's RM1 billion (US\$327.71 million) Sukuk issuance. ⁽²⁾

Solar Sukuk in the works

GLOBAL: Solar Guys International and Mitabu Australia, which are in partnership for solar power projects in Southeast Asia, will issue a US\$100 million Sukuk as part of a US\$500 million transaction arranged by Malaysia's Labuan Financial Services Authority. ⁽²⁾

Sukuk refinancing sought

MALAYSIA: Teknologi Tenaga Perlis Consortium will seek approval at an extraordinary general meeting on the 18th December 2012 to issue new Sukuk of up to RM835 million (US\$272.44 million) to refinance notes outstanding from its RM1.52 billion (US\$496 million) Istisnah Islamic securities. ⁽²⁾

NCB Capital launches Shariah compliant funds on UCITS platform

IRELAND: Saudi Arabia's NCB Capital has launched two Shariah compliant funds under the Undertakings for Collective Investment in Transferable Securities (UCITS) platform, reaffirming Ireland as the domicile of choice for the registration of Shariah compliant funds.

The NCB Capital Saudi Arabian Equity Fund and the NCB Capital GCC Equity Fund are the first of NCB Capital's funds which are not registered in Saudi Arabia. UCITS are allowed to operate freely throughout the European Union on the basis of a single authorization from one member state.

In its statement, the wealth manager said that the funds will be marketed internationally with a concentration on institutional investors in Asia and Europe.

The funds are expected to generate long-term capital growth through investments in mid-cap, blue chip, income-generating stocks.

Global asset management company Amundi has been hired as fund manager for both offerings.

Ireland's conventional funds industry surpassed the EUR1 trillion (US\$1.3 trillion) mark as of September this year, while its Shariah compliant funds industry is estimated to have reached around EUR2.5 billion (US\$3.26 billion) during the same period.

The Central Bank of Ireland has already established a Shariah advisory team for the approval of Islamic funds while the Irish Stock Exchange has also set up a unit on which to list Shariah compliant products. ⁽²⁾

DEAL TRACKER

Full Deal Tracker on page 26

ISSUER	ISSUING CURRENCY	SIZE (US\$)	DATE ANNOUNCED
Teknologi Tenaga Perlis Consortium	RM	272.44 million	4 th December 2012
Albaraka Türk Katılım Bankası	US\$	200 million	19 th November 2012
Dialog Axiata	LKR	397.1 million	2 nd November 2012
Malaysia sovereign	RM	1.74 million	6 th November 2012
Almarai Company	SAR	613.27 million	6 th November 2012



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AFRICA

Power funding for Mauritania

MAURITANIA: The IDB and the Arab Fund for Economic and Social Development will jointly fund the construction of two power plants to the tune of MRO59 billion (US\$195 million), to be located in the capital city of Nouakchott. (f)

iMAL for BPM

MAURITANIA: Banque Populaire de Mauritanie (BPM), an Islamic bank, has signed up for Path Solutions' iMAL Islamic banking software. (f)

Nigeria seeks funding

NIGERIA: The government is making a US\$44 billion contribution from the IDB to upgrade hospitals in the state of Kaduna, as part of a US\$9 billion, three-year external funding plan to finance projects including housing, agriculture and water supply in the country, said Ngozi Okonjo-Iweala, its finance minister. (f)

AMERICAS

Gatehouse grows US property portfolio

US: Gatehouse Bank has acquired its second property portfolio in the country via its joint venture (JV) with Brennan Investment Group; comprising 19 properties located across 13 states worth US\$178 million, in a transaction financed by The Royal Bank of Scotland.

The JV has now spent close to US\$350 million on 39 properties in the US. (f)

ASIA

Higher profits at BIMB

MALAYSIA: BIMB Holdings reported a profit before Zakat and tax of RM547.8 million (US\$180.02 million) for the nine months to the 30th September 2012, 31.4% higher than a year earlier, contributed by growth at its subsidiaries, Bank Islam Malaysia and Syarikat Takaful Malaysia, which reported profits of RM433.8 million (US\$142.56 million) and RM86.8 million (US\$28.53 million), respectively. (f)

Turkey Sukuk rallies

TURKEY: A decline in the yields on the government's Sukuk is expected to spur

Islamic bond sales by corporates and banks in the country.

The yield on Turkey's TRY1.62 billion (US\$904.55 million) local currency Sukuk fell 136 basis points to 6.05% on the 28th November 2012 from the second week of October, while the yield on its debut sovereign Sukuk, comprising US\$1.5 billion-worth of US dollar-denominated notes, has fallen to 2.7%, its lowest level since the papers were sold in September this year. (f)

Danajamin guarantees rise

MALAYSIA: National financial guarantee insurer Danajamin Nasional has guaranteed RM5.54 billion (US\$1.82 billion)-worth of Sukuk and conventional bonds to date since its establishment in 2009. (f)

Aussie Sukuk in the pipeline

AUSTRALIA: CIMB expects local banks to issue the country's first Sukuk in the latter part of 2013, following talks the Malaysian bank has had with its Australian counterparts, said Michael Forde, its country head of capital markets, in an interview with Deal Journal Australia. (f)

GLOBAL

AUB stake sale— a sign of things to come?

GLOBAL: Dubbed a (young) Pamela Anderson of the Middle East, Qatar has set bankers' pulses racing in the last year, as the government ramps up efforts to make the country the financial capital of the Middle East. Ahli United Bank's announcement to sell 29.4% out of its 33.3% stake in Ahli Bank of Qatar to an undisclosed buyer; — rumored to be the Qatar Investment Authority (QIA) — could possibly be the start of many more interventions from the Qatari government in boosting the country's banking system.

The transaction, which has not had a price tagged to it, is subject to regulatory approval and is expected to take a minimum of three months to conclude. Qatar Holding, the investment arm of the QIA currently has a 6.7% stake in Barclays and in July, had bought into Credit Suisse's CHF1.9 billion (US\$2.04 billion) convertible bond as part of the bank's capital raising exercise. Sources close to Islamic Finance news have revealed that Credit Suisse's investment banking

continued...

Islamic finance faces tough environment Down Under

AUSTRALIA: Despite recent developments in the country's Islamic finance industry, such as Islamic wealth manager, Crescent Wealth's launch of the first Islamic index for the local market in February this year and local solar power firm Solar Guys' plan to issue a Sukuk, the industry faces significant headwinds in its continued growth Down Under.

Professor Akhtar Kalam, the chairman of MCCA Islamic Finance & Investments, the only fully Shariah compliant financial institution in Australia, noted that the country's Islamic finance industry not only faces a challenging environment due to the prevailing global financial landscape, but impediments in the domestic legislative and tax framework.

"Pressure is quite intense and mounting for MCCA to evolve into a one-stop international banking facility (IBF) provider of offerings that compete with those of the major banks and institutions. Unfortunately our progress is being impeded by the current legislative and taxation barriers that are making it almost impossible to develop and market the specialized IBF products demanded by the Australian Muslim community," he noted during MCCA's annual general meeting held on the 26th November 2012.

He added while MCCA would prefer to develop its own products, it may have to seriously consider rebranding products from other financial providers if the legislative, taxation and legal barriers become insurmountable. Despite the challenges however, MCCA recorded profits of AUD77,000 (US\$80,481) and a return of 5.11% for its Income Fund in the 2011/2012 fiscal year. Nonetheless, Akhtar stressed the need for MCCA to maintain its growth momentum.

"Although MCCA's Income Fund now exceeds AUD20 million (US\$20.9 million) in funds under management...it needs to achieve its next milestone target of AUD100 million (US\$104.52 million) as quickly as possible," he said. (f)



continued...

division will be relocating a number of its staff from Dubai to Qatar, possibly as part of the deal. The Swiss bank has also firmed up a venture with Qatar's sovereign wealth fund to form Aventicum Capital Management in recent months.

Industry players believe however that it will take a considerable amount of time before Qatar poses any real competition to Dubai to become the capital market and banking hub of the Middle East. Speaking to *Islamic Finance news*, a Middle East banker said: "I do not think there is really any competition with Dubai, because it is a completely different model. I do not think the leadership has intended for Qatar to become a financial center to serve the Middle East and beyond.

"They have defined certain things they want to do, such as sports, healthcare, education, and yes, to some extent to become a financial center. But the Qatar Financial Center is a center that will serve Qatar, and not a center that is going to serve the Middle East and beyond. Compare this to Dubai, where 75% of the transactions done in the DIFC do not originate from Dubai. That's when you know it is a true banking and capital markets hub."⁽²⁾

IDB in power and water financing

GLOBAL: The IDB and other multi-lateral organizations including the Asian Development Bank and the European Investment Bank will co-finance US\$1.6 billion-worth of funds to help improve power supply in Bangladesh.

Separately, the IDB has also teamed up with the World Bank to provide a grant for water and sewage services in the Gaza Strip. The IDB will contribute US\$11.14 million while the World Bank will contribute US\$6.4 million.⁽²⁾

K&L Gates and Middletons in merger

GLOBAL: Law firm K&L Gates will merge with Australian law firm Middletons, effective the 1st January 2013, in an exercise that will see the addition of Middletons' 300 lawyers and offices in Brisbane, Melbourne, Sydney and Perth to K&L Gates' 40 offices located globally.

The enlarged entity will retain the K&L Gates name.⁽²⁾

NCB expands Islamic exposure

GLOBAL: National Commercial Bank has been nominated to the board of the General Council for Islamic Banks and Financial Institutions, an organization licensed in Bahrain and set up by the IDB and other Islamic banks.⁽²⁾

Shariah advisory for African markets

GLOBAL: Kenyan Shariah compliant advisory firm Mash Consulting Group has partnered with IdealRatings to offer services including Shariah advisory, screening and purification services to financial institutions in sub Saharan Africa.⁽²⁾

MIDDLE EAST

KFH-Bahrain to deploy ETHIX

BAHRAIN: Kuwait Finance House (KFH-Bahrain) has signed an agreement to deploy International Turnkey Systems (ITS)'s ETHIX Core Solution for Islamic banking, which was designed to optimize financial services through the most cost-effective way.⁽²⁾

Fifth extension for Zain Saudi

SAUDI ARABIA: Mobile telecommunications provider Zain Saudi has extended the maturity of its SAR9 billion (US\$2.4 billion) Murabahah financing by 21 days to the 19th December 2012.

In an announcement to the Saudi stock exchange, the company also said that the maturity date could be extended further as it seeks to finalize a new financing agreement to replace the existing facility.

This is the firm's fifth extension of its repayment of the facility, which was initially due in July 2011.⁽²⁾

New rules from Bahrain central bank

BAHRAIN: The Central Bank of Bahrain will soon issue new rules for the sale and licensing of Islamic and conventional debt and equity instruments, according to Rasheed Mohammed Al Maraj, its governor.

The central bank has also released directives for Islamic banks' disclosure

continued...

Keeping an eye out for Islamic finance in Europe

GLOBAL: Recent reports have noted that Kuveyt Türk Katılım Bankası, the Turkish arm of Kuwait Finance House, aims to begin operations in Germany in 2013 in a bid to become the first ever Islamic bank in the country.

The bank is ready to go forward, pending regulatory approval; and has put aside initial capital of EUR45 million (US\$58.48 million) for its Germany unit, said Ufuk Uyan, its CEO, in an interview with Reuters.

A move into Germany would represent a breakthrough not just for the bank, but also for Islamic finance as a whole, given the undeveloped state of the industry in the country. The country has however dipped its toe in Islamic finance waters before; with the German state of Saxony-Anhalt issuing a five year, EUR100 million (US\$129.66 million) Sukuk in 2004, representing the first Sukuk out of Germany.

Growth of Islamic finance in Europe has to date been primarily led by the financial centers in Ireland, Luxembourg and the UK, albeit with mixed results. All three countries have emerged as a preferred destination for Sukuk listings and Shariah compliant mutual funds, while the UK also sees the presence of four fully-fledged Islamic banks. The banks however have also experienced limited success relative to conventional finance.

Nonetheless, talk of countries such as Turkey and Kazakhstan representing a gateway for Islamic finance between Asia, Europe and the Middle East has grown recently; with both countries pushing their Islamic finance agenda this year. With Kuveyt Türk now eyeing a move into Germany, the prospect could be taking a step closer to reality, helping the industry finally gain a foothold in Europe.⁽²⁾

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continued...

on their charges and profit rates; and a consultation paper on risk management standards for Islamic banks. The final paper will likely be issued by the start of next year, according to a Reuters report. (f)

Sakana in housing deal

BAHRAIN: Islamic mortgage provider Sakana Holistic Housing Solutions has signed an MoU with Master Group – Bahrain, a construction, properties and project management services firm, to provide property consulting services and home financing to the Tubli Homes residential project. (f)

Funding for SMEs

UAE: Sharjah Islamic Bank has entered into an agreement with Ruwad Establishment to finance small and medium-sized enterprises (SMEs) owned by nationals.

Ruwad, a division of the Sharjah Chamber of Commerce and Industry which supports locally-owned SMEs, will evaluate the projects. (f)

Tough new rules

UAE: Noor Islamic Bank is expected to take between three to five years to adhere to regulations from the UAE central bank limiting banks' exposure to government and government-related entities in the emirates, said Hussain Al Qemzi, its CEO.

Hussain is quoted as saying that the timeframe for the new rules, announced in April this year setting a deadline for the 30th September 2012 for banks to comply with, is seen as challenging not only by Noor Islamic Bank but also by other banks. This is despite an unofficial extension of the deadline by six months. (f)

World Bank-AAOIFI conference

BAHRAIN: The World Bank will continue to enhance its exposure to Islamic finance as it co-hosts the Annual Conference on Islamic Banking and Finance with AAOIFI on the 3rd-4th December 2012.

The conference, for which Islamic Finance *news* is lead media partner and which is held under the auspices of the Central Bank of Bahrain, will discuss Islamic finance and the economy, risk management, investment accounts,

Takaful, application of Shariah and development of accounting standards. (f)

New financing range from DIB

UAE: Dubai Islamic Bank has launched SME Business Solutions, a new range of Shariah compliant financing products and services for small and medium-sized enterprises (SMEs) providing financing of up to AED1.5 million (US\$408,274) per customer. (f)

Alizz's stock listed

OMAN: Alizz Islamic Bank has commenced trading of its shares following its listing on the Muscat Securities Market on the 3rd December 2012. (f)

BankDhofar prepares Islamic products

OMAN: BankDhofar has appointed Islamic finance outsourcing provider IFS to consultant on and implement Shariah compliant products for the bank's corporate and individual customers.

Products to be provided by IFS include home and auto finance as well as savings, current and investment accounts. The firm will also advise on contracts and forms to comply with Shariah and Central Bank of Oman rules. (f)

KFH-Research looks at private sector indicators

KUWAIT: KFH-Research, the United Nations Economic and Social Commission for Western Asia (UN-ESCWA) and the central statistical bureau are considering the establishment of economic indicators for the private sector, according to Fahad Al-Mukhaizeem, the strategy and corporate affairs general manager of Kuwait Finance House. (f)

TAKAFUL

Aman Union increases OIC coverage

GLOBAL: Members of Aman Union, which represents commercial and non-commercial risk insurers and re-insurers in the OIC and Arab Investment & Export Credit Guarantee Corporation (Dhaman), have contributed US\$17.4 billion in investment and export insurance for OIC countries this year, 17.6% more than in 2010, said Dr Abdel-Rahman Taha, the secretary general of the union.

continued...

New faces in Sukuk market

GLOBAL: The global Sukuk market is expected to see the emergence of new faces going into 2013, such as in Pakistan where Meezan Bank's Shariah board has given the go-ahead for airtime-backed Sukuk structures.

While the bank did not elaborate on any airtime Sukuk deals it is working on, any potential deal would be the country's first airtime-backed transaction and could spell the beginning of a new phase for Islamic notes in the country.

To note however, is Malaysian telecommunications group Axiata Group's US\$1.5 billion multi-currency Sukuk program set up in July this year. The group, which owns Multinet Pakistan, has already issued a CNY1 billion (US\$160.5 million) Sukuk under the program. Could Meezan Bank's approval of airtime Sukuk signal a further issuance from the program?

Meanwhile in Jordan, the approval of a Sukuk law in October this year is seen to pave the way for the development of the kingdom's Sukuk market; with the rules covering the tradability of Sukuk, structures which can be used; and exemptions offered for issuers.

With rapid developments seen in Pakistan and Jordan's Sukuk markets, 2013 may yet usher in new markets for Shariah compliant investors to flock to. (f)

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The union was jointly set up by Dhaman and the ICIEC. (📌)

Takaful Ikhlas targets profitable returns from new offering

MALAYSIA: Takaful Ikhlas is targeting up to RM66 million (US\$21.63 million) in revenue from its recently launched health-based offering, ChoicePlus in its first year alone, according to Wan Mohd Fadzullah Wan Abdullah, its executive vice president. (📌)

SALAMA reports losses

UAE: Islamic Arab Insurance Company (SALAMA) reported a net underwriting loss of AED37.7 million (US\$10.26 million) for the third quarter of 2012, contributed by losses at its reinsurance subsidiary, BEST RE, due to claims against flooding in Thailand.

The group's investment and other income however rose to AED68.7 million (US\$18.7 million) from AED48.2 million (US\$13.12 million) a year earlier, while gross written contributions declined to AED1.5 billion (US\$408.36 million) from AED1.8 billion (US\$490.05 million). (📌)

Focusing on MAA Takaful

MALAYSIA: MAA Group, the holding company for MAA Takaful, has said that it will continue to target further business expansion for the Takaful arm, after announcing a pre-tax loss of RM8.46 million (US\$2.71 million) for the third quarter ended the 30th September 2012, from a pre-tax profit of RM44.06 million (US\$14.19 million) a year earlier. (📌)

FUNDS

Public Mutual announces returns

MALAYSIA: Public Mutual has declared distributions worth RM106 million (US\$34.13 million) for eight of its funds for the financial year ended the 30th November 2012.

The returns include total gross distributions for the Public Islamic Sector Select Fund of RM2 (64 US cents) per unit, Public Islamic Alpha-40 Growth Fund at RM1.50 (48 US cents) per unit, Public Itikal Sequel Fund at RM1.25 (40 US cents) per unit, Public Islamic Asia

Leaders Equity Fund at 75 sen (56 US cents) per unit, Public Islamic Mixed Asset Fund at RM1.50 (48 US cents) per unit and Public Islamic Infrastructure Bond Fund at RM4 (US\$1.29) per unit. (📌)

New list of Shariah compliant stocks

MALAYSIA: Securities Commission Malaysia has updated its list of Shariah compliant securities, adding 13 new stocks such as Felda Global Ventures, IHH Healthcare and Malaysian Airlines System; and excluding five, namely: Brem Holdings, Gopeng, Naim Indah, OSK Ventures and Tadmax Resources. (📌)

Growth seen in GCC equities

QATAR: Barwa Bank expects The First Investor GCC Equity Opportunities Fund (Qatar), its first equity fund, to grow to QAR100 million (US\$27.47 million) in the first quarter of 2013, after attracting close to QAR90 million (US\$24.72 million)-worth of subscriptions following the fund's launch in October this year.

The fund will be managed by The First Investor, the bank's investment division. (📌)

Structured notes closed

UK: QIB (UK) has closed the seventh tranche of its Hemaya Masaref structured note program, raising US\$37 million from the three-year notes to bring its total issuance under the program to US\$190 million since its launch in 2010.

Anouar Adham, its head of asset management, told Reuters that the bank is planning to issue similar products each year, but with different risk profiles. (📌)

Coming up...

Volume 9 Issue 49 — 12th December 2012

Meet the Head

Azhar Aslam, head of Islamic banking, Standard Chartered Bank Pakistan

Special Report

Islamic finance in Tunisia: The appetite comes with eating; By Karim Amous, managing partner at SMARTECO Tunisia.

Feature

Qatar: A robust infrastructure for Islamic finance industry; By Hassan Yusuf, operational risk manager, Masraf Al Rayan.

RATINGS

Stable rating

SAUDI ARABIA: S&P has assigned Weqaya Takaful Insurance and Reinsurance Company a credit rating of 'BBB'; with a stable outlook. (📌)

MOVES

Alkhabeer Capital

SAUDI ARABIA: Alkhabeer Capital has named **Dr Henri J Chaoul** as its new chief investment strategist. (📌)

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Islamic Finance *news* Awards

Best Service Providers — Poll 2012 —

Best Service Providers Poll 2012 Results

After a record 4,706 votes were cast throughout the industry, and with 3,995 counting towards the final results after 711 votes were discarded due to irregularities, Islamic Finance *news* is proud to announce the winners of the 2012 Best Service Providers Poll.

The poll, which ran throughout the month of November, was open to industry players across the board, with four distinct groups of voters: banks, lawyers, asset managers and regulators. Islamic Finance *news* provided the list of nominees in the 10 contested categories based on thorough and objective research, and the nominees were not allowed to vote for themselves.

This year, **The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)** bagged the Most Outstanding Standard-Setting Body award for the second consecutive year, beating runners-up the Islamic Financial Services Board (IFSB) and the International Islamic Financial Markets (IIFM). AAOIFI's win is testament to its influence in the industry and its importance as a leading standard-setting body on a global level.

A recent report by KPMG and ACCA had also called for AAOIFI and other leading standard-setting bodies to work together with the International Accounting Services Board towards the application of the International Financial Reporting Standards (IFRS) in Islamic finance to create a truly standardized global reporting framework. AAOIFI's standards are currently followed by 200 institutions across 46 of its member countries.

Dar Al Sharia won Best Islamic Consultancy Firm and Best Shariah Advisory Firm in a close fight with Amanie Advisors in the Best Shariah Advisory Firm category. The firm is fast gaining popularity amongst industry players and law firms as the advisory firm of choice due to the diverse range

of talent within the firm enabling it to provide services in the Shariah, financial and legal sectors. The firm has also entered new territory this year through its partnership with Oman-based Bank Sohar to implement the necessary processes and systems in accordance with Islamic principles for the launch of the bank's Islamic banking window.

S&P Dow Jones Indices emerged the clear winner in the Best Islamic Index Provider category due to its massive reach throughout the industry, and the ability to establish its indices as some of the main industry benchmarks.

Etiqa Takaful was voted Best Takaful Provider, gaining a lead over last year's winner Takaful Ikhlas, while **Takaful Re** won Best re-Takaful Provider, making it a first-time winner in this category.

DDCap won Best Interbroker for Islamic transactions, while Eiger Trading came in second in a close fight for prime position. **Standard & Poor's** was this year's most popular Islamic Ratings Agency after beating last year's winner RAM and Moody's. Ratings agencies have, in the last two years, played a more prominent role in the Islamic finance industry as investors seek objective information and refer to ratings analysis as a guide to entering new markets.

Path Solutions beat ITS, Trasset and Infosys Technologies to emerge as Best Islamic Technology Provider in a hard fought battle, as IT becomes an increasingly essential aspect of the Islamic finance industry especially with the emergence of more fully-fledged financial institutions; creating a need for total Shariah compliant solutions.

Winners will be honored at two gala awards ceremonies in Kuala Lumpur and Dubai on the 19th and 25th February 2013. Congratulations to the winners and runners-up, and their efforts in continuing to propel the industry forward. (2)

Most Outstanding Standard Setting Body

Accounting & Auditing
Organization for Islamic
Financial Institutions
(AAOIFI)

Best Islamic Consultancy Firm

Dar Al Sharia

Best Takaful Provider

Etiqa Takaful

Best Re-Takaful Provider

Takaful Re

Best Islamic Index Provider

S&P Dow Jones Indices

Best Interbroker for Islamic Transactions

DDCap

Best Islamic Ratings Agency

Standard & Poor's

Best Islamic Research Firm

International Shariah Research
Academy for Islamic Finance
(ISRA)

Best Shariah Advisory Firm

Dar Al Sharia

Best Islamic Technology Provider

Path Solutions

Emerging markets take center stage amid financial industry restructuring

As the founding CEO of HSBC Amanah and now the CEO of Fajr Capital and a board member of institutions such as Jadwa Investment and Bank Islam Brunei Darussalam, one would be hard-pressed to oppose Iqbal Khan's mantle as the 'godfather' of Islamic finance.

Speaking to Islamic Finance *news* following his public lecture at the Securities Commission Malaysia Iqbal, who is the current holder of the Royal Award for Islamic Finance 2012, warned that: "The banking industry is undergoing a mega restructure and this includes both conventional and Islamic."

One restructuring seen in the Islamic space has been HSBC's recent decision to scale back its Islamic retail products, offered by its Islamic arm, the establishment of which was led by Iqbal.

Commenting on the development, he said that: "I believe that HSBC made a very principal decision and I think they did it in an effort to become more mainstream. I also believe that HSBC's decision to pull out from the Islamic

retail sector might just open the way for smaller banks to step in."

“ HSBC's decision to pull out from the Islamic retail sector might just open the way for smaller banks to step in ”

Despite the prevailing headwinds, Iqbal also noted that in addition to the strong year for Sukuk, 2012 has also been a positive time for the emergence of new markets for Islamic finance.

"Oman has opened in a big way. Egypt is also going to open up. A framework

is being created in both Tunisia and Egypt, which will be a source of huge growth in those markets in the long-term. The institutional sectors driven by retail corporate constituencies are now opening up Islamic pension funds and endowment funds.

"My view is that asset management in the real economy such as infrastructure funds, SME funds, venture capital funds, commodity funds, food and agriculture funds will be very big opportunities." Iqbal also stressed that the market should look out for further expansion of the Halal food industry, estimated at US\$600 billion, as another emerging market sector which could possibly take its place on center stage soon.

A further development to look out for is the issuance of corporate social responsibility (CSR) Sukuk, issued to finance areas such as in education and employment. "What the CSR Sukuk will do in the current climate is to create the funding for priority social sector initiatives," he said. ☺ – LR





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Public interest in Islamic finance on the rise

CZECH REPUBLIC

By JUDr Ivana Hrdlickova,
IFN Correspondent

No new practice has been developed in the Czech Republic since last month; nevertheless the public is interested to get more information concerning this alternative way of financing. There have been several presentations and professional discussions about Islamic finance and Islamic banking products at the Economic University in Prague and at financial institutions, banks and

even law firms. New articles published in professional magazines such as *Bankovnictví* and *Pravo a byznys* have explained Islamic banking products in detail.

An Islamic finance conference called 'Business Between Culture' was recently held in Sarajevo, Bosnia and Herzegovina on the 14-15th November 2012. This conference showed up the similarities between central and eastern European financial markets and the considerable need for cooperation for the future

development of Islamic finance market within European countries.

Public debate, training, seminars, professional speaking, to make public understand better the similarity and differences in Islamic finance practice comparing to the conventional way of financing, may help to increase Islamic finance practice in European market. ☺

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

The progress of Islamic finance in the Maldives

MALDIVES

By Aishath Muneeza, IFN Correspondent

Islamic finance is still at the nascent stage in the Maldives. The country has only recently seen the inception and development of Islamic finance. The first form of Islamic finance that came to the country was Takaful with the establishment of Amana Takaful Maldives in 2003. Islamic banking came to the country in 2011 when the only Islamic bank in the country, Maldives Islamic Bank, began operations. The two biggest service providers of Islamic finance in the country are these two entities, which are endeavoring to show the practicality of Islamic banking

to the 100% Muslim citizens of the Maldives, constituting a population of about 300,000.

It is worth noting some of the remarkable achievements made by these two companies in 2012. Amana Takaful Maldives is the first Shariah-screened company in the Maldives and the trading of the shares of the company took place in 2012. The managing director of Amana Takaful Maldives, Hareez Sulaiman, revealed that for the period ended the 31st October 2012, gross written contributions of the company grew by 89% compared to the same period in 2011 and that significant growth has been recorded under the classes of Fire, Medical, Miscellaneous and Motor insurance.

As for the Maldives Islamic Bank, this year the company began to provide ATM services to its customers. The bank's managing director, Harith Harun, revealed that the annualized growth rate in customers deposits for the bank for 2012 (10 months up to October) was 58% and year-on-year the growth rate has reached 74%.

The growth of these providers in the Maldives proves the success of Islamic finance in the country, and hopefully it will be taken to the next level in 2013. ☺

Aishath Muneeza is the head of Islamic finance at the Capital Market Development Authority. She can be contacted at muneeza@cnda.gov.mv.

Recent developments in the Islamic retail market in Singapore

SINGAPORE

By Yeo Wico, IFN Correspondent

In October 2012, CIMB Islamic launched two new Shariah compliant deposit accounts in Singapore, in a move that strengthens its Islamic retail banking business offering in the country. The launch of these new products are in line with a statement by Badlisyah Abdul Ghani, CEO of CIMB Islamic, earlier in the year, that CIMB Islamic will be offering Islamic retail products in Singapore such as basic deposits, credit cards and home and auto financing.

One of these new accounts offered by CIMB Islamic is a Shariah compliant

fixed deposit product based on the concept of Murabahah and which pays depositors cash profits upfront. The account, aptly called the 'Why-Wait Fixed Deposit i-account', also features an automatic rollover on expiry of the existing tenure of deposit. The differentiating feature of the Islamic fixed deposit product, of payment of cash profits upfront, could be an attractive proposition for Muslim and non-Muslim customers alike.

It is expected that the Singapore retail market will soon benefit from a variety of new Islamic financing services and products, some of which, like the Shariah compliant credit card and home financing, have been very eagerly anticipated.

November 2012 witnessed the launch of a new Singapore-based web portal called Halal Universe (www.halal-u.com), established by the Al Jannah Group, which aims to provide a wide spectrum of intelligence on financial assets for retail investors in the Shariah compliant sector, signally the continually growing interest in, and demand for, Shariah compliant financing and investments in Singapore. ☺

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

National Bank of Abu Dhabi's US\$164.3 million Sukuk

National Bank of Abu Dhabi (NBAD) issued a RM500 million (US\$164.3 million) Sukuk on the 23rd November 2012; the third time the bank has tapped the Malaysian market for Islamic bonds.

The offering is also the first issuance of subordinated debt by a non-Malaysian financial institution in Malaysia; and is pursuant to its RM3 billion (US\$985.82 million) Islamic/conventional medium-term notes (MTN) program, which previously covered only Senior MTN, and has been amended to include issuances of subordinated MTN.

“ *The new issue reflects NBAD's commitment to create a ringgit yield curve* ”

The 15-year Sukuk will pay a coupon of 4.75%. NBAD's previous Sukuk issuances in Malaysia comprised two RM500 million offerings sold in 2010 and maturing in 2015 and 2020. The papers were priced at 4.75% and 4.9%, respectively.

“This new issue, which also strengthens NBAD's capital levels, reflects the commitment of NBAD to create a yield curve in ringgit to meet the strong investor demand for our credit; and fits in very well with our core strategy of diversifying the bank's funding sources and extending our maturity profile,” said Stephen Jordan, its group treasurer.

The bank's latest issuance was joint lead managed by HSBC Amanah Malaysia, Maybank Investment Bank, Standard Chartered Saadiq (Malaysia) and NBAD Malaysia. The offering also follows the launch of NBAD Malaysia in October this year. ⁽²⁾ — EB

National Bank of Abu Dhabi's
US\$985.82 million Islamic/
conventional medium-term notes
program

US\$164.3 million



23rd November 2012

Issuer	National Bank of Abu Dhabi (NBAD)
Issuance amount	RM500 million (US\$164.3 million)
Tenor	15 years
Coupon rate / return	4.75%
Currency	Ringgit
Joint lead managers	HSBC Amanah Malaysia, Maybank Investment Bank, Standard Chartered Saadiq (Malaysia) and NBAD Malaysia
Legal advisors	Wong & Partners (for lead managers) and Clifford Chance (for NBAD)
Shariah advisors	Shariah committees of HSBC Amanah Malaysia, Maybank Islamic and The Royal Bank of Scotland Malaysia
Rating	'AA1' by RAM

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An eventful year for the Islamic finance industry in Sri Lanka

Sri Lanka has seen impressive economic growth following the end of its 26-year civil war. ATHIF SHUKRI gives an overview of the contributions made by Islamic finance to this development, and looks at the future of the industry in 2013.

Buoyant investor confidence in the country, supported by proactive policy initiatives by the government, has lured a surge of capital inflow to facilitate ambitious development projects.

Despite the post-global financial crisis and slowdown of demand from Sri Lanka's main trade partners, the country has displayed its resilience by posting GDP growth figures in excess of 8% in both 2010 and 2011 and 7.2% in the first half of 2012. Significant contributions to the economy were made from the industry and services sector, with the latter contributing 58% of GDP.

Globally renowned for its Ceylon tea, the island nation boasts a beautiful landscape with its unique fauna and flora. Visitors rave about the warm hospitality that the people extend to tourists from across the globe. Sri Lanka's multi-cultural and multi-faith society has been a destination adored by travel enthusiasts from around the globe. The boom of tourist arrivals since the end of conflict is an indication that the country is poised to scale new heights in the tourism sector in the coming years. Foreign investors have also recognised Sri Lanka's potential, with the Shangri-La, Sheraton and Hyatt brands among the international hotel chains that have already initiated plans to enter the market.

Sri Lanka is also experiencing a construction boom, attributable to a massive infrastructure development program in line with the government's intention to develop five strategic hubs: a knowledge hub, a commercial hub, a naval and maritime hub, an aviation hub and an energy hub, with the intention of taking advantage of the country's unique strategic location and resources.

While Sri Lanka continues to achieve economic milestones, the local Islamic banking and finance (IBF) industry has gradually gained momentum over the years. The pace accelerated post-2005, as the Government of Sri Lanka passed amendments to the country's Banking

Act, thereby formally recognizing Islamic banking as an alternate method of finance.

The appeal of Islamic finance in the country has become infectious with the grant of a commercial banking license in 2010 to set up Amana Bank, the country's first fully-fledged Islamic commercial bank. After a successful launch, Amana Bank has now completed its first year of Islamic banking operations in the island.

“ Some estimate the market potential at US\$2.5 billion, although there are definite indications that this could reach much higher proportions ”

The demand for IBF products and services has continued to grow unabated. Some estimate the market potential at US\$2.5 billion, although there are definite indications that this could reach much higher proportions if, for instance, Sukuk issuances could feature as part of the product offering.

The number of licensed players offering Islamic products and services has also reached double digits. Islamic windows have been set up by the Muslim Commercial Bank of Pakistan, which was the first conventional bank to offer Islamic banking under a dedicated banking unit; followed by Bank of Ceylon (BOC) — a state-owned bank, which is also the largest bank in Sri Lanka. The newest entrants are the two commercial banking giants in the island,

Commercial Bank and Hatton National Bank, in 2011 and 2012 respectively.

In addition, there are three finance companies: People's Finance, Lanka Orix Finance and LB Finance, which have established Islamic units. The Takaful sector has just one player, Amana Takaful, although there are indications that other institutions could also enter this fledgling market. Amana Takaful has been a fully-fledged Islamic insurance provider since 2003.

On the capital markets side, Adl Capital commenced operations in 2011. It is a market intermediary licensed and registered by the Securities & Exchange of Sri Lanka (SEC) and the holding company of Adl Equities — Sri Lanka's first ever Shariah compliant margin trading provider, also licensed by the SEC.

The local IBF industry has experienced other pioneering endeavours as well, with the launch of Sri Lanka's first ever open-ended Shariah compliant equity fund, Crescent i-Fund, in 2011. The fund is a joint initiative between Adl Capital and Comtrust Asset Management, a licensed unit trust/mutual fund management company. The Crescent i-Fund provides investors with the option to invest in a selected group of listed companies ('white list') on the Colombo Stock Exchange (CSE).

In addition, Adl Capital recently partnered again with Comtrust Asset Management to launch the Comtrust-Adl Mudaraba Fund — Sri Lanka's pioneer Shariah compliant income fund. Operating on the principles of Mudarabah, the launch of this fund will mark yet another significant milestone in the evolution of Sri Lanka's growing Islamic finance sector.

The amplified interest for IBF sector was reflected in the significant events that have taken place during the course of the year. The Sri Lanka Islamic Banking

continued...

Continued

& Finance Conference, an annual event, was held for the fourth successive year in July in Colombo. The forum provided a well-timed opportunity for practitioners' to share insights and discuss issues and challenges facing the industry.

“ Industry analysts are hopeful that the first Sukuk issuance may take place in 2013 ”

The inaugural Islamic Finance *news* Roadshow was held on the 6th September 2012 in Colombo. This included panel discussions on various aspects of Islamic finance in Sri Lanka. The day-long program attracted a mix of professionals, students, investors and other stakeholders. The program also included several presentations and case studies, including the pioneering Shariah compliant debt financing of Sri Lanka Airlines, the first such initiative undertaken in Sri Lanka, with Mashreq Bank as the lead manager.

Looking forward to 2013, several new players including commercial banks and specialized financial institutions are expected to enter the IBF industry, which augurs well for the industry as a whole. There are also several product initiatives in the offing and industry analysts are hopeful that the first Sukuk issuance may take place in 2013.

The market should also witness greater competition in sectors such as banking and Takaful. Again, this bodes well for the future, since institutions would become more proactive in their approach. Clients seeking Shariah compliant solutions could soon be spoilt for choice, given the number of institutions joining the fray.

Therefore, while 2012 has been a watershed for the IBF industry in Sri Lanka, 2013 could prove even more eventful. (☺)

Athif Shukri is a research analyst at Adl Capital. He can be contacted at athif@adlcapital.com.

Islamic Finance *news* Awards Deals of the Year 2012

We are pleased to announce the launch of the 8th Islamic Finance *news* Deals of the Year Awards.

Islamic Finance *news*, the global Islamic finance news provider, is categorically recognized as the industry's leading publication and authority on the Islamic

banking and finance industry. With a world-wide readership in excess of 21,000 industry practitioners and regulators, the Islamic Finance *news* Deals of the Year Awards offer its winners a truly global audience and a phenomenal vehicle in which to reach ones clients, potential clients and peers.

There are 17 global categories at stake this year, in addition to the individual country awards.

Below is the full list of categories for which accolades will be awarded. Individual deals may be nominated for more than one category. However, only one deal per category. Submission guidelines and a list of criteria are also provided.

Awards will be presented to the Issuers, Lead Arrangers and Counsels in February 2013.

The Categories

- Deal of the Year
- Best Country Deals*
- Cross Border
- Best Corporate Finance
- Most Innovative
- Equity
- Ijarah
- Initial Public Offering
- Mudharabah
- Murabahah / Trade Finance
- Musharakah
- Project Finance
- Real Estate
- Sovereign
- Structured Finance
- Sukuk
- Syndicated Finance
- Tawarruq

* Country accolades will be awarded to those countries which have witnessed a minimum of three non-private placements during the calendar year. Verification may be required of these transactions.

IFN Awards Deals of the Year 2012 Submissions OPEN NOW!

Submission Guidelines

- Submissions must be no more than two pages in length, in bullet format
- State clearly at the top of the deal page, which categories that particular deal is being nominated for. If it is not clearly stated it will not be considered.
- Please mark 'Confidential' if certain information should not be published
- Only one submission per category (Individual deals may be nominated for more than one category)
- Only those deals which were closed after the 1st January 2012 will be considered
- Only those deals which have been completed may be submitted
- Submissions to be provided in soft format in either excel, word or PDF format
- Closing date for submissions: Friday 21st December 2012
- Deals which close between the 21st December and the 31st December 2012 may be submitted up to and including Monday the 31st December 2012
- All submissions should be emailed exclusively to: Andrew.Morgan@REDmoneyGroup.com
- Results will be announced in the Wednesday 9th January 2013 issue of Islamic Finance *news*

Submissions criteria to include the following (where applicable): Instrument, Issuer, Issuer principal activities, Issue size & Pricing, Date, Issuances, Bookrunner, Arrangers, Legal counsel for issuer, Legal counsel for arrangers, Guarantor, Financial Advisor, Trustee, Shariah advisor, Method of issue, Purpose of issue, Rating, Road-shows, Subscription, Investors, Time, and a short brief on why this deal is being nominated

The decision of the "Awards Committee" is final. A short brief will be published for each award providing the committee's reasoning. All criteria of the submitted deals will be considered.

Awards Dinners

Dubai and Kuala Lumpur will again provide the backdrop for the award ceremonies. Over 700 key industry participants and regulators attended these events in 2012. Further details will be available following the announcement of the winners in January 2013.

- Kuala Lumpur: 19th February 2013
- Dubai: 25th February 2013

Closing date: Friday 21st December 2012

Leasing industry trends in Sri Lanka

Leasing is a major sector of the finance industry in Sri Lanka, and makes a significant contribution to economic growth in the country. SHIRAZ REFAI explores the recent trends in the sector and looks to a promising 2013.

The concept of finance leasing, since its introduction to Sri Lanka in the 1980s, has grown to touch a portfolio of a LKR1 trillion (US\$7.68 billion). A market share of 70% is serviced by licensed finance companies (LFC) as opposed to banks and specialized leasing companies.

The current industry activity is governed by the Finance Leasing Act No. 56 of 2000, with participation of players from nine specialised banks, 24 licensed commercial banks, 20 leasing establishments and 36 licensed finance companies offering services with an annual growth of approximately LKR200 billion (approximately US\$1.5 billion) comprising individuals, SMEs and the corporate sector. The industry is also supported by the Leasing Association of Sri Lanka (LASL) with 61 members and 70 valuers, which was formed to strengthen the industry; as well as by the Finance Houses Association of Sri Lanka (FHA) with 37 members, all of whom conduct finance leasing business.

According to analysts, with the government targeting sustained economic growth of 8% per year with a per capita income at US\$4,000 from the current figure of US\$2,836, the finance leasing industry is expected to sharply rise five to six times from its current levels, touching a consolidated figure of approximately LKR1.2 trillion (US\$9.2 billion) in five years.

The major contributor to the industry is brand new and reconditioned motor vehicle imports, with a boost in motor vehicle sales propelled by reduced import duties and low interest rates. This stimulated a country-wide increase of 800,000 new vehicles registered during the past three years, according to the motor traffic department of Sri Lanka.

Although significant fluctuations were noted with the increase in the fuel prices over the years, the growth trend was sustained by the industry up to the end of the fourth quarter 2011. Further, with this trend and the industry averaging NPLs at 6-7%, analyst forecasts predict that over 7 million motor vehicles will hit the roads of Sri Lanka during the next

five years, boosting the projected growth levels of the industry.

“ With the current market shift to the used and registered motor vehicle categories, we see the demand drop for Ijarah, whilst Murabahah and Musharakah financing are becoming more popular ”

The main sectors contributing to the industry are the transport, trade and service sectors. Although the forecasts show promising growth results, the downside of the industry is the lack of product variations and heavy reliance on vehicle financing. The industry is dependent on changing import duty taxes and the exchange rates structure which is currently very volatile.

Although the last two quarters of 2011 showed a positive environment for the industry, the first two quarters of 2012 adversely affected growth due to upward tax revisions on motor vehicle imports.

Experiencing the ripple effects of the global economic downtrend, Sri Lanka too is running through an economic crunch, where the country's exchange rates continue to slide coupled with rising interest rates during the past eight months. Whilst the industry is mainly dependent on motor vehicle financing, the last import duty revision on motor vehicles, which hit heights of up to 300%, certainly has an adverse effect. Statistics show that monthly vehicle registrations have dropped by up to 90%, thus the industry growth will not sustain its

ambitious predictions. With this sudden twist of market conditions during the first quarter of 2012, the future of the leasing industry looks somewhat bleak.

However, there is a gradual shift in the motor vehicles from the unregistered category to the used motor vehicle category, while hire-purchase facilities seem to be reviving together with term loan products servicing the demand.

This economic environment has had a parallel effect on Ijarah financing in Sri Lanka. The Ijarah mode of financing represents an alternative to a finance lease, and is similarly and widely used for brand new and unregistered motor vehicle financing. With the current market shift to the used and registered motor vehicle categories, we see the demand drop for Ijarah, whilst Murabahah and Musharakah financing are becoming more popular.

With an approximately 20 million-strong population, where Muslims are a 10% minority, Sri Lanka is one of the few non-Muslim countries that has amended its legislation to permit Islamic banking and finance. This was made possible by the amendments to the Banking Act made in 2005. This paved the way to establish Islamic financing across the banking and finance industry in general.

Currently there are 11 regulated banking and non-banking financial institutions that offer Islamic finance either as specialized Islamic finance institutions or as window operations within the respective conventional financial institutions, recording a staggering year-on-year growth of over 50%.

Industry analysts believe that Sri Lanka has the potential to be an Islamic banking hub in the South Asian region, but can only realize its true potential if the regulators work with industry practitioners for the development of Islamic finance. Fortunately, we have seen growing support and encouragement thus far.⁽⁵⁾

Shiraz Refai is the chief manager at Al-Falaah, Islamic Business Unit, Lanka ORIX Finance. He can be contacted at shirazr@lankaorix.com.

Islamic stockbroking in Malaysia: Prognosticating the future

Islamic stockbroking serves as a pseudo-gatekeeper to Islamic stock markets, but its existence has not yet been well developed in Malaysia. MOHAMMAD MAHBUBI ALI and SHABANA M HASAN believe however that the future is bright for the fledgling sector.

Currently there are only few players in the Malaysian market: including Maybank Investment Bank, CIMB Bank, Bank Islam and AmBank Investment Bank. Nevertheless, as an Islamic finance hub, the future of Islamic stockbroking in Malaysia is very promising. With this dynamic in mind, this article attempts to forecast the future development of Islamic stockbroking in Malaysia.

Islamic stockbroking in Malaysia

Islamic stockbroking is a type of financial service activity that has been designed to assist people on the investment of their funds in Shariah compliant equities. In addition, Islamic stockbroking firms are being formed so as to establish a sovereign Islamic capital market. According to Bursa Malaysia, an Islamic stockbroking service is a business in securities carried out by an Islamic participating organization on the stock market of Bursa Securities, whether on a fully-fledged basis or via an Islamic window service.

In Malaysia, an Islamic stockbroking is categorized as a participating organization which provides beginning-to-end Shariah compliant stock. In addition, it serves as an agent on behalf of clients to buy or sell Shariah compliant equities based on a Wakalah contract. In practice, the Wakalah contract is applied in the form of two-tier agency contracts: the first layer of Wakalah is between the client and the Islamic stockbroking firm while the second layer is between the Islamic stockbrokerage and Bursa Malaysia.

Identifying the opportunities

As an Islamic finance hub, the future development of Islamic stockbroking in Malaysia is undoubtedly very promising, determined by two main driving catalysts, namely the demand side and the supply side.

Demand side

The exponential growth of the global Muslim population is undeniably a

positive indicator for the future of Islamic stockbroking. In 2009, the global Muslim population was approximately 21% of the global population, making it the second largest religious segment in the world. What's more, the numbers are growing at a rapid pace. Although many Muslims are poor, there are a substantial number of rich Muslims, and the size of the Muslim middle class continues to expand, which represents a relatively untapped market for Shariah compliant stocks and stockbrokers. According to research conducted by the Pew Forum in 2011 on Religion & Public Life titled 'The Future of the Global Muslim Population', it is projected that the number of Muslims in the world will double from 1.1 billion in 1990 to 2.2 billion in 2030.

Indonesia, one of the top 10 most populous nations, continues to be the largest Muslim population in the world, followed by Pakistan and Bangladesh. This presents good possibilities for Islamic stockbroking in Malaysia as it is well positioned to capture the Indonesian market. The similar cultures between Malaysia and Indonesia will ease Malaysian penetration of the Indonesian market.

In Malaysia, Muslims are the majority, representing 61.3% of the population. The growing need of the Muslim population in Malaysia for Shariah compliant products as an alternative to conventional banking and capital market instruments serves as a catalyst for the development of Islamic stockbroking in the country.

Another factor of Islamic stockbroking in Malaysia is the number of high net worth individuals (HNWIs) over the world, which is projected to dramatically climb, supported by economic expansion in Asia Pacific and the MENA region. Some US\$1.5 trillion of GCC funds are held in assets worldwide, vested in treasuries, corporate bonds, equities and funds. The GCC region accounts for 3.2% of the global high net worth population.

In Malaysia, the number of high net worth individuals has been increasing dramatically. A recent report released by Asia Wealth Report stated that the number of HNWIs in Malaysia is expected to significantly increase from 32,000 in 2011 to 68,000 in 2015. The net worth is projected to increase from US\$140 billion (RM433 billion) to US\$330 billion by the same year.

The future of Islamic stockbroking in Malaysia is also determined by the positive economic outlook for the country. According to Switzerland-based Institute for Management Development (IMD), Malaysia's economic performance ranking improved to seventh place out of 59 economies in 2011. The Malaysian economy in 2011 was very impressive, especially during the first three quarters of 2011, witnessing an average growth of 5.1%.

Malaysia's economic growth is supported by the government commitment to realize the New Economic Model (NEM), the Government Transformation Program (GTP) and the Economic Transformation Program (ETP). The NEM, GTP and ETP have witnessed constructive output reflected by the different indices where the total investment commitment stands at RM95 billion (US\$31.2 billion), which should create almost 225,000 jobs over the next 10 years. Moreover, the ETP has found a total of 131 Entry Point Projects (EPP) with a total investment value of RM794.5 billion (US\$261.4 billion) as part of a main initiative to boost the country's gross national income to RM1.1 trillion (US\$362 billion) and generate 3.3 million jobs. To date, according to a report released by Malaysian national news agency Bernama, a total of 72 projects have been launched, and 41.2% of them are at various stages of implementation, reflecting private sector confidence in the government.

Supply side

In August 2006, the Malaysia

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International Islamic Financial Center (MIFC) initiative was launched to promote Malaysia as a major hub for international Islamic finance with the following key initiatives:

- Adoption of global legal and regulatory best practices;
- A well-developed Shariah governance framework — Bank Negara Malaysia, the central bank, established a centralized Shariah Advisory Council (SAC).
- Comprehensive human capital development:
 - A large and diverse pool of Islamic finance talent;
 - Established higher education in Islamic finance;
- Tax incentives (10-year tax exemption, 10-year exemption on stamp duty);
- Liberal foreign exchange administration (FEA) rules;
- Establishing an International Currency Business Unit (ICBU).

In 2007, the Malaysian government legislated substantial tax incentives for the benefit of Islamic finance, as decided in the 2007 budget announced on the 1st of September 2006. This incentive will provide a chance for Malaysia to benefit from an influx of liquidity, particularly from the Middle East.

The vision to become a viable Islamic finance hub has come true as Malaysia is proving itself capable of continuing to be the leader of Islamic finance in the world. In 2009, according to MIFC report, Malaysian Sukuk were positioned

in the first rank of the Sukuk market, equity market and fund management; the second position of the Takaful market after Iran, and the third ranking in the banking market, after Iran and Saudi Arabia. These will be the determinant factors for the development of Islamic stockbroking, as Malaysia will continuously endeavor to lead in each and every aspect of Islamic finance.

Another key factor driving the development of Islamic stockbroking in Malaysia from the supply side is the wide range of the Shariah compliant listed stocks approved by the Shariah Advisory Council. As at the 25th November 2011, the Securities Commission Malaysia (SC) recorded that 89% of the securities listed on Bursa Malaysia were Shariah compliant, tapping 839 Shariah compliant equities and representing more than two thirds of Malaysia's market capitalization. In other words, only 11% of the stocks of listed companies are not Shariah compliant. This fact answers the perception of some that the Islamic market is narrow and not sufficient to cater to investors' needs. The 89% Shariah compliant stocks listed on Bursa Malaysia will allow the investors to diversify their choice in ethical investment schemes and end-to-end Shariah portfolio management.

Conclusion

Even though Islamic stockbroking has not yet been fully developed in Malaysia, its potential growth is undoubtedly very promising. This is mainly due to

both the demand side and supply side which will serve as catalysts towards its development. However, the lack of qualified human capital and product innovation as well as poor public perception towards Islamic stockbroking are obstacles to its future growth.

Moving forward, Malaysian Islamic stockbroking should be more aggressive and innovative in order to capture the untapped potential market of primarily Malay Muslim investors, through creating awareness and marketing campaigns. The services offered should place emphasis on the value proposition factor and come up with a genuine product that clearly reflect Islamic principles and the objectives of Shariah, and not only replicating conventional counterparts in its features and benefits. Last but not least, the development of Malaysian Islamic stockbroking should be fully supported by government initiatives, reflected by the various tax incentives and promotional support that have been successfully proved to promote the Sukuk market. ⁽²⁾

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of ISRA and should not be attributed to it.

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

In the third and final part of our series of articles exploring the specific legal aspects of Islamic finance in Brunei, MUHD JAMIL ABAS ABDUL 'ALI discusses the concerns which can arise relating to the implementation of Hukum Syara'.

Right to be heard

In Part II we discussed the difficulties which defendant-customers of an Islamic banking transaction may encounter if they were not given the right to address questions to the Shariah Financial Supervisory Board (SFSB) and if they were not permitted in a court of law to raise questions relating to whether a decision of the SFSB Board was *intra vires* or *ultra vires* the powers conferred on it by legislation.

In this article we raise other concerns which may arise with Hukum Syara' and its implementation. Firstly, in this regard, it is not clear what factors or particulars the SFSB takes into consideration when it considers an application for approval of a product. This question is relevant because if a particular factor or issue was in fact considered and approved by the SFSB, the civil courts will not have jurisdiction to hear and determine on it. Conversely, if an issue was not so considered, the civil court should have the right to hear and determine the issue. However, to be able to do this, it must know what issues the SFSB considered and failing which, the customer-defendant will lose his rights to be heard on the issue through no fault of his own.

To take an example, the 'survivorship clause' often found in joint accounts in conventional banks, and in some instances, in Islamic banks which offer joint accounts similar to conventional joint accounts. It is not known whether the laws of Islam agree with common law legal principles and rights of a survivor through such concepts as *al-'Umra* or *Hibah al-Ruqba*, and if not, what those concepts are.

Another example is the issue about 'unearned-income' and the injustice capable of flowing from it. In the SFSB's approval of the relevant product, it is not known whether this issue was deliberated upon and a conscious

decision made to approve it in its present form.

Delegation of duties

There is no doubt that the SFSB members have to discharge a heavy burden by being tasked with the duty of determining Hukum Syara'. Thus, they have a dual duty to discharge: under legislation and a religious duty. The question that arises is whether each member of the SFSB combs through each and every paragraph of the composite transactional documents themselves or whether this tedious task is delegated to members of the secretariat of the SFSB Board.

“The strictures of the law may have clouded the spirit and intent of Hukum Syara' by representing it as inflexible and incapable of addressing the ordinary rights of a litigant”

It is suggested that the SFSB and its individual members have a duty to consider each and every issue of Islamic law that arises in such composite transactional documents because the SFSB Order does not confer the authority to delegate such duties to others. The SFSB should be transparent in the exercise of its duties in determining the laws of Islam and make known what was

considered by it, so that a defendant-customer will have the right to address the secular courts on an issue that was not touched upon by the SFSB.

An example is whether the SFSB should deliberate and consider broad concepts only, such as approving a product based on its structure and mechanism, or whether it considers each and every term in a document to ascertain it does not conflict with Hukum Syara'. It is suggested that each and every term regulating a transaction must be reviewed and ascertained, and that a blanket approval based on general structure and mechanism will not be sufficient to discharge the strict statutory duty and high religious obligation inherent in approval of a product.

Binding directives of the SFSB

Islamic financial institutions are likewise in an unenviable position in having to comply with a written directive issued by the SFSB. Section 5(1) [SFSB Order] states that a failure to comply is an offence for which the financial institution is faced with a not inconsequential sum of BND500,000 (US\$4,097) and a further penalty of BND5,000 for every day during which the contravention continues, quite apart from reputational risks. However, Section 17 of the SFSB Order states in part: "Where in any proceedings relating to Islamic banking businesswhich is based on Shariah principles before any court or arbitrator, any question arises concerning a Shariah matter, the court or arbitrator..... may take into consideration any written directive issued by the Authority pursuant to subsection (1) of section 5 or may refer such question to the Authority for a ruling from the Board".

It is noted here that the Islamic financial institution faces a dilemma in that if it does not comply with a "written

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directive” it is guilty of an offence, but if it does, a court or arbitrator hearing a Islamic banking dispute is not bound by the “written directive” but may instead merely “take into consideration” and may well decide not to be bound after having considered it. Contrast this with an opinion (Fatwa) issued by the Majlis Ugama Islam (Religious Council) under the Religious Council and Kadis Courts Act, Cap. 77 which is binding once it is published in the government gazette. In Malaysia, we understand that the law with regards to the binding nature of a decision of Shariah Advisory Council was amended not too long ago which now purports to make its decisions binding on the courts.

Reaction of the secular courts to issues of Hukum Syara’

In one case in Brunei Darussalam, the civil court said: “The defendants have also attempted to slip in a purported point of law that the Agreements may

not be in accordance with the Al-Bai’ Bithaman Ajil principles. To this somewhat bold submission, I would answer, simply, that the decision of this court is based on the terms and conditions under the Contractual Agreements agreed to by D1 and D2. As to whether the terms and conditions and existing legal framework of the bank documents are in line with the Islamic financing facility principles, it is a matter to be taken up with the relevant authority and not for this Court to decide.” [Perbadanan Tabung Amanah Islam v Morsima Sdn Bhd and Wong Yep Meng (High Court of Brunei Darussalam, Civil Suit no. 14 of 2007).

Two issues arise with this remark. Firstly, it is not clear why a customer-defendant wishing to assert his rights to be heard according to Islamic principles should be categorized as having “attempted to slip in a purported point of law” and should be “bold”. Nonetheless,

this indicates that any issues concerning Hukum Syara’, whether there is a real issue to be tried or not, will occasion an injustice as the customer-defendant is automatically brushed aside as being misplaced. The civil court has indicated clearly that it is not the appropriate forum and that a defendant-customer faced with this predicament must pursue his rights to be heard on a “purported point of law”. Hence receiving fair justice lies elsewhere, although the court does not state where or who this “relevant authority” might be.

The strictures of the law may have clouded the spirit and intent of Hukum Syara’ by representing it as inflexible and incapable of addressing the ordinary rights of a litigant. (2)

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Arshad A Ahmed, co-founder and managing director, Elixir Capital

Arshad Ahmed is a trusted partner and advisor to global private equity and venture capital firms. In 2012, he co-founded Elixir Capital to offer investors outsize gains from equity investing in emerging and frontier markets. Before launching Elixir Capital he worked as an international corporate lawyer with Kirkland & Ellis in San Francisco, the US.

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

Though I was born into a Muslim family, my intellectual conversion to Islam, happened whilst at Cornell University earning my engineering degree.

After completing my Juris Doctor degree at the University of Pennsylvania, I began my career at Latham & Watkins in Washington, DC with the aim of working closely with private equity (PE) behemoth, The Carlyle Group. However, the allure of Silicon Valley's entrepreneurial rush during the late 1990s' dot com boom beckoned, so I headed to California and became a venture capital (VC) and startups expert. After the bubble burst in late 2000, followed by the events of the 11th September 2001, I joined with a Wharton MBA graduate in 2002 to launch an Islamic hedge fund. I left that project and in 2004 joined Kirkland & Ellis' newly opened San Francisco office, where I was able to develop and refine my global PE skills.

It was at Kirkland that I got re-acquainted with Abrar Hussain, a partner who had become a global expert in emerging markets PE. We became adjunct professors teaching both Islamic finance and PE/VC at UC Berkeley. As we realized our unique credentials at the intersection of PE/VC and Islamic finance, we decided to leave Kirkland to launch Elixir Capital in early 2012, to offer a platform to global investors desirous of Halal VC and PE investing in emerging markets at the highest quality available anywhere.

What does your role involve?

Right now I am focused on raising our first investment fund, a VC fund that will



be managed by Elixir Capital and will invest in small high-growth businesses primarily in ASEAN. With target size at US\$100 million and 25% returns, the private investment fund is modest by Silicon Valley standards, although appropriate for the likes of Indonesia, Malaysia, and elsewhere in the MENA and Southeast Asia regions, where mid-stage VC investing is needed but conspicuously absent.

What is your greatest achievement to date?

Serving as an educator and thought-leader in respect of Islamic finance in the US is a great responsibility. The Islamic finance industry reflects many shortcomings in terms of its grounding in Islamic ethics and intellectual thought. As critical thinkers, my students are apt in pointing out that contemporary Islamic financial methodologies, especially when controlled by banks and bankers, reduce the Islamic religion to nothing more than rules on a page, lacking any vertical dimension. Therefore, my most important achievement has not been in launching one of the first Islamic hedge funds in the US (2002) or developing a genuine Ijarah finance instrument in the US (2003) or in helping set up one of the first Islamic PE funds in the US (2004), but is the casting of light on the (mal)function of banks and bankers labeled as Islamic, and offering alternatives to offset their influence.

Which of your products/services deliver the best results?

Elixir Capital concentrates only on VC/PE investment fund management. No one in the Islamic finance world, MENA, or

Southeast Asia can match our collective decades of knowledge and experience.

What are the strengths of your business?

Access to Silicon Valley and expertise in VC/PE.

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

I'd like to think there are enough savvy investors out there who recognize that unlike banking and fixed income, where the risks are inherently hidden (one need look no further than the recent global financial crisis to understand this point), in contrast, the beauty of VC is that portfolio risks are ferreted out and mitigated by experienced professionals such as myself.

What are the obstacles faced in running your business today?

The absence of VC/PE funds in the Islamic world poses both an obstacle and an opportunity. There is widespread familiarity with fixed income products (such as Sukuk) as well as real estate securities, but much less is known about VC, Silicon Valley, or how so much value can be created by supporting startups with equity investments the way we do. Educating our potential investors (limited partners) as to the structure and benefits of the VC/PE continues to be a challenge.

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

If participants get educated about the origins of VC and PE arising out of the Islamic mercantile tradition, we'll start to see Islamic finance enter into the prevailing VC/PE industry based in Silicon Valley without the need for any separate Islamic or Halal labeling. God knows best.

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

There is an increasing and dangerous over-exposure in Islamic finance to fixed income and, to a lesser extent, real estate. The Islamic finance industry is in desperate need of high quality wealth management that knows asset allocation, which would help, at least at an institutional level, to re-balance portfolios away from fixed income instruments toward equities – private and public – as well as genuine partnership models. ☺

“Q As the Islamic finance industry continues to strive to become global, conquering the crucial western markets remains slow and difficult. What can be done to expedite entry?”

A Each western market presents different challenges for Islamic finance and hence there is no single formula to expedite entry. The UK market has been the most open, but London was affected more severely by the global financial crisis than other western markets and Islamic banks located there continue to record losses. In the Eurozone (EU) the civil law environment is less accommodating than common law jurisdictions, but Ireland is the only country in the EU with a common law tradition.

North America is even more challenging, although retail Islamic banking has made some progress in Canada, especially in Ontario where most of the Muslim population resides. In the US the Muslim population is fragmented along ethnic lines and geographically dispersed. Islamic financial products are available at state level in California, Illinois and Virginia, but there is little available in major centers such as New York. This is unlikely to change, but initiatives at local level that stress business opportunities with Islamic finance are more likely to succeed than at federal level where politics get in the way.

RODNEY WILSON

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

A There are a number of barriers to entry in the financial sector such as history and credit rating. Lack of either of these makes it difficult for a new institution to penetrate the market. The financial crisis has resulted in a situation that, due to the fact that many institutions were not lending, new institutions could gain market share. However, although this is still to some extent the case, there is also still a high level of distrust in the market and a high aversion to change. A potential alternative to gaining market share

would be to first set up as a local or community-based bank and grow from that position rather than attempting to directly become a global player.

DR NATALIE SCHOON

Principal consultant, Formabb

A The brutal answer to this question is that instead of applying an Islamic veneer to an un-Islamic debt-based financial system the industry could — if it went back to first principles — recreate in modern form the solutions and products which pre-date the modern system of finance capital comprising debt and equity.

CHRIS COOK

Principal, Partnerships Consulting

A The question is ahead of itself. Today, Islamic finance is a domestic phenomenon. How many UAE or Malaysian Islamic banks have a meaningful presence and corresponding revenue generation in other Muslim countries? For example, it has been several years; has the Al Rajhi experiment in Malaysia met expectations?

If we assume Malaysia (home country) has the most robust infrastructure for Islamic finance, banking and Takaful, how many host countries (wanting Islamic finance) have a similar infrastructure and top down government support for Islamic finance? Malaysia's approach has been time-tested (1983), patience-oriented, and stakeholder-coordinated, hence, it would be a challenge to fast track in other countries (interested in tapping the petro liquidity), as the law of unintended consequences would kick in, resulting in possible irreparable damage.

However, has Malaysia become complacent on Islamic finance? For example, there are five FSA-approved Islamic banks in the UK, however, not

one Malaysian shareholder, founding or otherwise. Maybe for Malaysian Islamic financial institutions, expansion is adjacent (Indonesia) before regional (ASEAN), and then international.

Furthermore, an example of rhetoric over commitment includes Hong Kong and Singapore, as they planted the flag of wanting to be an Islamic finance hub several years ago. Where is (wholesale) Islamic finance in these jurisdictions?

In the west, in places like the US, there is a small, but very vocal anti-Shariah movement, and they have made an admirable financial inclusion opportunity into a political 'hot potato' issue. Thus, local (western/conventional) institutions will not sacrifice existing customers/business to capture a marginal business (today). For example, HSBC Amanah offered Islamic mortgages in the US in early 2000, but not only stopped, but closed shop in few short years.

Full disclosure: I had the first Islamic mortgage from them, but had to refinance (conventionally) as rates went down and an Islamic refinancing package was not available. Furthermore, there was the issue of tax deductibility of the profit rate payments whilst I was a customer.

For Islamic finance to be truly international, beyond mega-banks and the success of IILM, jurisdictions need to touch upon: Shariah, tax, accounting, regulations and standardization. Generally, western jurisdictions will not amend laws for a level playing field, and Islamic finance must seek to fit into existing regulatory infrastructure. Having said that, there is some guidance provided from the work done in the UK on elimination of double stamp duties for mortgages, deposit insurance, and so on. However, a UK Treasury spokesperson, concerning the decision to not to issue a sovereign Sukuk, recently said: "It is

continued...

Continued

judged not to provide value for money.”

Islamic Bank of Britain (IBB), the only deposit-taking FSA approved retail Islamic bank in Britain, has need of a financial rescue package and is on the auction block.

There is also the question of genuine demand for Islamic finance in the post 9/11 environment in western countries, where Muslims (primary target segment) reside. For example, some Muslims are not interested in Islamic finance, while others are concerned that if they participate, they will be on some government list, etc. To date, there is no deposit-taking (government-licensed) Islamic bank in US, Canada, Australia, etc.

The vision of Islamic finance is global, however, the reality is that we need to graduate from domestic to cross-border. Only then can we attempt to answer the headline question.

RUSHDI SIDDIQUI

Global head, Islamic finance & OIC countries, Thomson Reuters

A Why do we need to focus on western markets? Islamic finance is faith-based and we first need to serve the Muslim communities who are interested in Shariah solutions and markets/segments where banks have critical mass.

I am NOT making a case for restricting Islamic banking but no Islamic bank board will allow Islamic banks to do things which destroy shareholder value.

AFAQ KHAN

Islamic Banking, Standard Chartered Saadiq

A The Islamic finance industry has succeeded in both the Middle East and the Southeast Asian markets because of the cultural demonstration that it affords, amid growing income levels. The same elements do not prevail in western markets, given the secular nature of the business and regulatory framework. As a result, firms operating primarily in the Islamic finance space, however successful, exist outside the mainstream.

There may be many technical reasons for narrow penetration in developed markets – including poor capital base, regulatory

biases, political agendas - but we feel that a primary reason, entirely within the control the industry itself, is the failure of the industry to express the benefits of the discipline it offers to stakeholders. It's ultimately the assurance and comfort afforded by the Islamic finance discipline that will capture wider appeal.

With respect to such enthusiasm, conquering western markets is an unrealistic goal. But the industry can make important inroads through effective business strategies, based on creative application of investment and marketing research. Thoughtful lobbying efforts are also an important tool that the industry has largely eschewed, to its detriment.

DOUGLAS CLARK JOHNSON

CEO, Codexa Capital

A 'Conquering' western markets is difficult because it is governed by factors outside the realm of Islamic finance. Rather than focusing time and effort on it, it would be better to focus on areas of the Muslim world where penetration is still shockingly low. Unfortunately, this is the majority case in most countries. For the minority population in the western markets that are Muslim, they can have local institutions that cater to their needs.

MONEM SALAM

Director of Islamic Investing/deputy portfolio manager, Saturna Capital

A One important prerequisite for the expedition of the growth of Islamic finance in western markets is the creation of a conducive regulatory environment which encourages the setting up of Islamic finance institutions in these countries.

MARCEL PAPP

Head of re-Takaful, Swiss Re Retakaful

A The foremost step in this process is to make the structure of the Islamic finance industry strong by catering to the current weak spots, which are criticized the most, as preventing this industry from getting its own autonomous identity and image, separate from the conventional one in the western markets. In the first place, measures should

be taken in order to ensure that sanctions are associated with the available standards in the industry and, therefore, are effectively enforced. For instance, Islamic finance institutions not complying with the standards should incur some fines. The standard makers, such as AAOIFI and IFSB, should put in place internal repressive organs that would have authority over the same institutions. The Central Banks of the co-operating countries should play an active role by approving such enforcement mechanisms. Such mechanisms will ensure a level playing field between similar Shariah products or services, resolving the current varying interpretations leading to severe criticism on a global platform.

Secondly, when structuring products or services targeting the western markets, a special emphasis should be put on innovation, a targeted approach and diverse strategies addressing the specific needs of those markets.

Last but not least, use of social media, technology and other advertising media will, in the current competitive financial markets, be of the utmost importance to make investors in the western markets aware of the opportunities offered by Islamic finance products and services and the success of this industry.

SUFIAN BATAINEH

Managing director, Dananeer

A I don't think that penetration of western markets is what it should be about. The home markets aren't truly penetrated, and the value proposition is not yet defined in many markets. Moreover, the service quality is not yet up to global standards. In the meantime, the cost of entry or expansion in emerging markets is attractive relative to the returns and growth opportunities. The cost of entry in western markets is exceptionally high and the return and growth prospects are much more challenging. I like my grandmother's advice: "Tend to your knitting at home: when the world knows how good it is, the world will come calling."

ABDULKADER THOMAS

CEO and President, SHAPE™ Financial Corp

continued...

Continued

A Using the phrases ‘western markets’ and ‘the Islamic finance industry’ confuses rather than enlightens.

Each country where Muslims are a minority of the population is a distinct financial services marketplace which has to be assessed on its merits. Relevant factors will include the total population, levels of affluence, propensity to consume financial services, financial services regulatory rules, level of Muslim population etc. If a business attempts to look at ‘western markets’ as a totality, as if Germany and Slovenia (for example) could just be taken together, it

is guaranteed to take the wrong strategic decisions.

Similarly ‘the Islamic finance industry’ does not take strategic business decisions. Such decisions are taken by individual companies seeking to maximize profits by entering those markets where they believe business can be done profitably.

Against this background, there is considerable scope for successful Islamic financial services providers based in Muslim majority countries to expand profitably into countries where Muslims are a minority. Such expansion is probably best carried out one target

country at a time, and by concentrating on niche services. Asset management and provision of Takaful, especially family Takaful, may well be more successful than offering vanilla banking services. Any market entry strategy needs to minimize costs. In particular customer acquisition costs risk being high as Islamic financial services will not be well understood in most such target markets, so a strategy is needed to keep such costs low.

MOHAMMED AMIN

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

Next Forum Question:

What have been the outstanding developments, achievements and disappointments in the world of Islamic finance in 2012?

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 14th December 2012.

Islamic Finance news

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ISSUER	SIZE	DATE ANNOUNCED
Teknologi Tenaga Perlis Consortium	US\$272.44 million	4 th December 2012
Albaraka Türk Katılım Bankası	US\$200 million	19 th November 2012
Dialog Axiata	LKR51 billion	2 nd November 2012
Malaysia sovereign	RM5.3 billion	6 th November 2012
Almarai Company	SAR2.3 billion	6 th November 2012
Sumberdaya Sewatama	IDR1 trillion	24 th October 2012
MNRB Holding	RM150 million	16 th October 2012
Banque Saudi Fransi	SAR2.5 billion	15 th October 2012
Edaran SWM	RM1 billion	5 th October 2012
International Islamic Liquidity Management Corporation	US\$200 to 500 million	4 th October 2012
Turkish Airlines	TBA	4 th October 2012
Danainfra Nasional	RM1.5 billion	4 th October 2012
Weststar Capital	RM900 million	4 th October 2012
Dubai Electricity and Water Authority	AED4.5 billion	3 rd October 2012
Tunisia sovereign	TBA	30 th September 2012
Bank Asya	TRY150 million	25 th September 2012
Qatar Islamic Bank	US\$1.5 billion	16 th September 2012
Bolton	RM380 million	6 th September 2012
HSBC Amanah	RM3 billion	4 th September 2012
Sime Darby	US\$1.5 billion	3 rd September 2012
Malakoff Corporation	RM1.8 billion	17 th August 2012
Putrajaya Holdings	RM3 billion	13 th August 2012
Indonesia sovereign	US\$1 billion	10 th August 2012
Indonesia sovereign	US\$750 million	10 th August 2012
Tanjung Bin Power	RM4.5 billion	7 th August 2012
Kuala Lumpur Kepong	RM1 billion	1 st August 2012
Kimanis Power	RM1.16 billion	16 th July 2012
Syarikat Prasarana Negara	RM4 billion	12 th July 2012
Türkiye Finans Katılım Bankası	US\$300 million	9 th July 2012
Sudan sovereign	US\$758 million	5 th July 2012
South Africa sovereign	TBA	4 th July 2012
Indonesia sovereign	IDR500 billion	3 rd July 2012
National Treasury South Africa	US\$500 - 700 million	3 rd July 2012
Qatar sovereign	US\$4 billion	2 nd July 2012
Indosat	IDR300 billion	20 th June 2012
Sadara	SAR1.4 billion	13 th June 2012
UEM Group	RM2.2 billion	13 th June 2012
General Authority of Civil Aviation	TBA	24 th May 2012
Morocco sovereign	TBA	23 rd May 2012
Amer Group Holding	EGP2.7 billion	14 th May 2012
Emirates NBD	US\$500 million	7 th May 2012
Epmex	RM1.35 billion	25 th April 2012
Noor Islamic Bank	US\$1 billion	19 th April 2012
Encorp	RM1.58 billion	18 th April 2012
Johor Corp Group	RM3 billion	13 th April 2012
Citra Marga	IDR1.2 trillion	12 th April 2012
Nakheel	AED240 million	11 th April 2012
Development Bank of Kazakhstan	US\$500 million	30 th 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, Appellate Court Pardubice

EGYPT: Dr Walid Hegazy managing partner, Hegazy & Associates

FRANCE: Kader Merbouch 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 partner and head of Jordan & Iraq offices, Al Tamimi & Co

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JAPAN: Serdar A. Basara president, Japan Islamic Finance

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KUWAIT: Alex Saleh partner, Al Tamimi & Company

LUXEMBOURG: Marc Theisen partner, Theisen Law

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

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

MALTA: Reuben Buttigieg president, Malta Institute of Management

MAURITIUS: Sameer K Tegally associate, Conyers Dill & Pearman

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

NIGERIA: Hajara Adeola managing director, Lotus Capital Limited

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

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

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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

TUNISIA: Karim Amous Managing partner, Smarteco

TURKEY: Ali Ceylan partner, Baspinar & Partners

UAE: Moinuddin Malim CEO, Mashreq Al Islami

UK: Siraj Ibrahim associate, Credit Agricole CIB

US: Saeid Hamedanchi CEO, ShariaShares

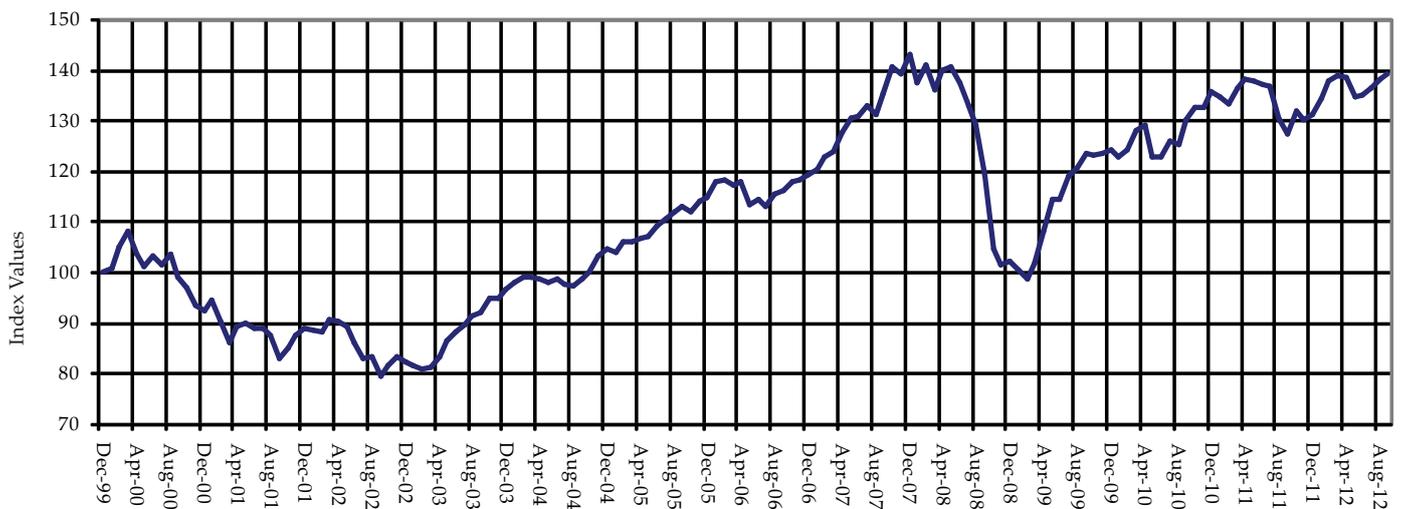
YEMEN: Moneer Saif head of Islamic banking, CAC Bank

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@redmoneymoneygroup.com

FUNDS TABLES

Eurekahedge Islamic Fund Index



Top 10 Yield-to-Date Returns for ALL Islamic Funds

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Atlas Pension Islamic - Equity Sub	Atlas Asset Management	54.82	Pakistan
2 Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	45.45	Pakistan
3 Atlas Islamic Stock	Atlas Asset Management	26.78	Pakistan
4 Al Meezan Mutual	Al Meezan Investment Management	22.90	Pakistan
5 AlAhli Global Real Estate	The National Commercial Bank	22.79	Saudi Arabia
6 Meezan Islamic	Al Meezan Investment Management	21.76	Pakistan
7 Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	16.16	Egypt
8 CIMB Islamic Greater China Equity	CIMB-Principal Asset Management	14.73	Malaysia
9 Al Baraka	Hermes Fund Management	14.32	Egypt
10 AlAhli Healthcare Trading Equity	The National Commercial Bank	14.19	Saudi Arabia
Eurekahedge Islamic Fund Index		6.55	

Based on 33.01% of funds which have reported November 2012 returns as at the 4th December 2012

Top 10 Sharpe Ratio for ALL Islamic Funds since Inception

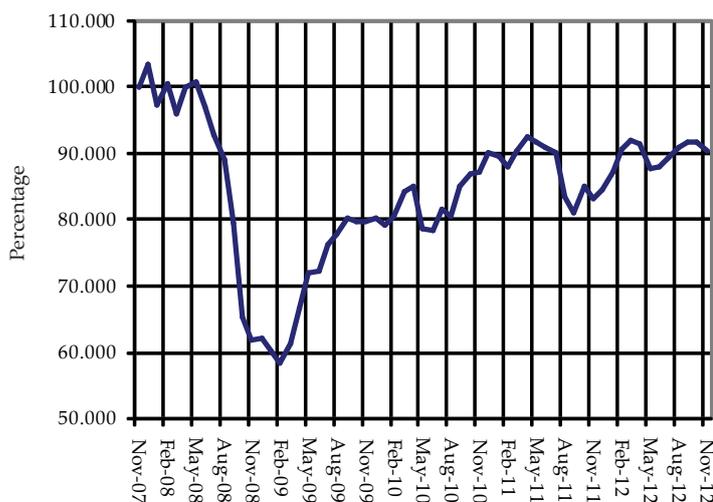
Fund	Fund Manager	Performance Measure	Fund Domicile
1 Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	10.48	Pakistan
2 Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	5.08	Pakistan
3 Atlas Pension Islamic - Debt Sub	Atlas Asset Management	5.01	Pakistan
4 Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	2.94	Saudi Arabia
5 AlAhli International Trade	The National Commercial Bank	2.08	Saudi Arabia
6 BLME Umbrella Fund Sicav - SIF - USD High Yield - Class A	Bank of London and The Middle East	2.07	Luxembourg
7 AlAhli Saudi Riyal Trade	The National Commercial Bank	1.92	Saudi Arabia
8 Emirates Global Sukuk USD Institutional Share Class (Acc)	Emirates NBD Asset Management	1.89	Jersey
9 Al Rajhi Commodity Mudarabah - SAR	Al Rajhi Bank	1.73	Saudi Arabia
10 Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	1.55	Pakistan
Eurekahedge Islamic Fund Index		0.21	

For funds having a track record of at least 12 months as at end November 2012

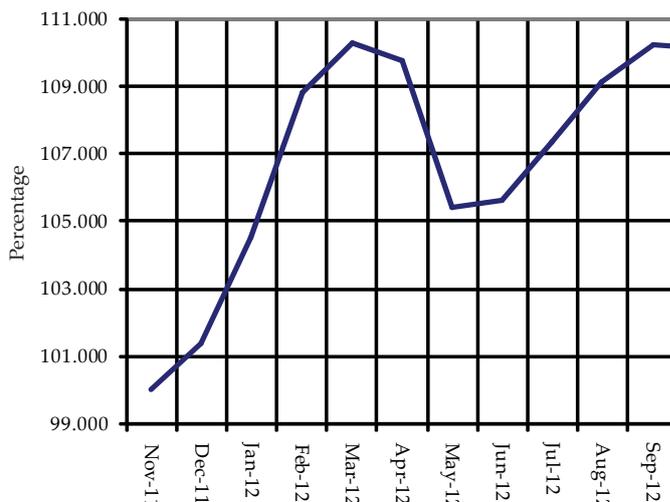
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, 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.

FUNDS TABLES

Eurekahedge Islamic Fund Equity Index over the last 5 years



Eurekahedge Islamic Fund Equity Index over the last 1 year



Top 10 Islamic Equity Funds by 3 Months Returns

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Am-Namaa' Asia-Pacific Equity Growth	AmInvestment Management	7.60	Malaysia
2 Al Rajhi India & China Equity	Al Rajhi Bank	7.28	Saudi Arabia
3 AlAhli Global Real Estate	The National Commercial Bank	6.45	Saudi Arabia
4 AlAhli Asia Pacific Trading Equity	The National Commercial Bank	6.07	Saudi Arabia
5 Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	6.02	Pakistan
6 Meezan Islamic	Al Meezan Investment Management	4.36	Pakistan
7 Al Meezan Mutual	Al Meezan Investment Management	4.15	Pakistan
8 CIMB Islamic Global Emerging Markets Equity	CIMB-Principal Asset Management	4.11	Malaysia
9 AlAhli Europe Trading Equity	The National Commercial Bank	3.60	Saudi Arabia
10 NBAD UAE Islamic (Al Nae'em)	National Bank of Abu Dhabi	3.47	UAE
Eurekahedge Islamic Fund Equity Index		(1.04)	

Based on 31.45% of funds which have reported November 2012 returns as at the 4th December 2012

Top 10 Islamic Globally Investing Funds by 3 Months Returns

Fund	Fund Manager	Performance Measure	Fund Domicile
1 CIMB Islamic Greater China Equity	CIMB-Principal Asset Management	6.82	Malaysia
2 AlAhli Global Real Estate	The National Commercial Bank	6.45	Saudi Arabia
3 DWS Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	4.75	Ireland
4 JPM Islamic Global Dynamic Equity (USD) A (acc)	JP Morgan International Bank	2.64	Luxembourg
5 BLME Umbrella Sicav - SIF - USD High Yield - Class A	Bank of London and The Middle East	2.43	Luxembourg
6 Jadwa Global Sukuk	Jadwa Investment	1.65	Saudi Arabia
7 Global Sukuk Plus	QIB (UK)	1.08	Luxembourg
8 Emirates Islamic Global Balanced	EIS Asset Management	1.01	Channel Islands
9 CIMB Islamic Commodities Structured 2	CIMB-Principal Asset Management	0.65	Malaysia
10 BLME Umbrella Fund Sicav - SIF - USD Income - Class B	Bank of London and The Middle East	0.65	Luxembourg
Eurekahedge Global Islamic Fund Index		0.68	

Based on 44.07% of funds which have reported November 2012 returns as at the 4th December 2012

Contact Eurekahedge

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

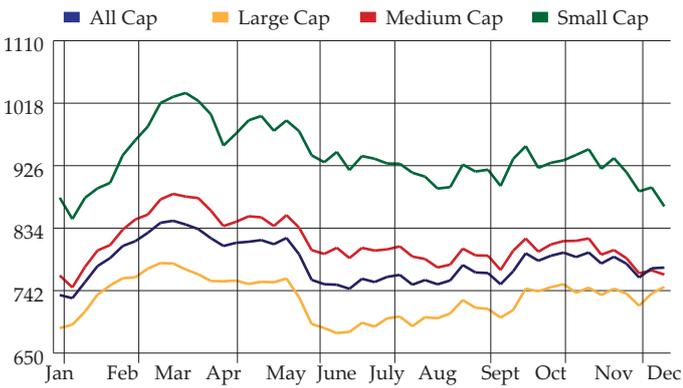
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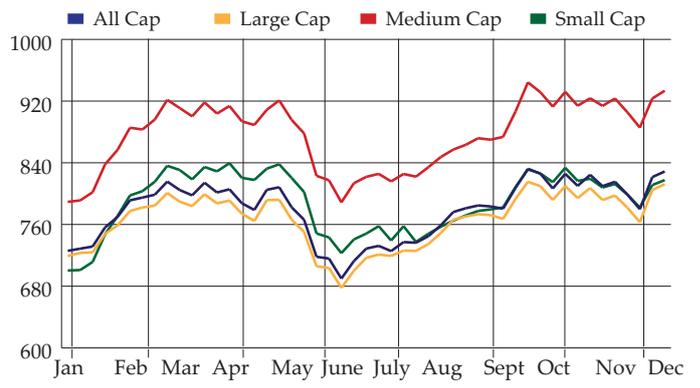


SHARIAH INDEXES

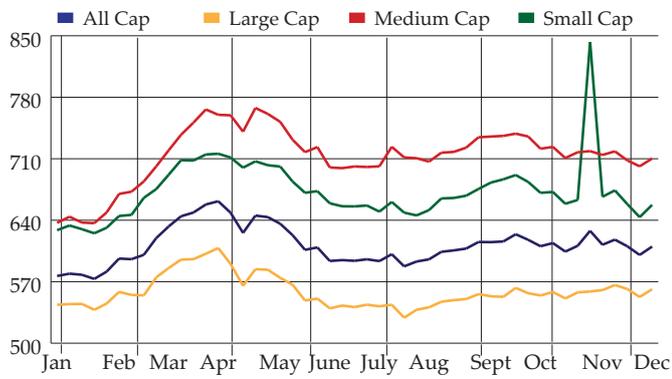
REDmoney Asia ex. Japan 6 Months



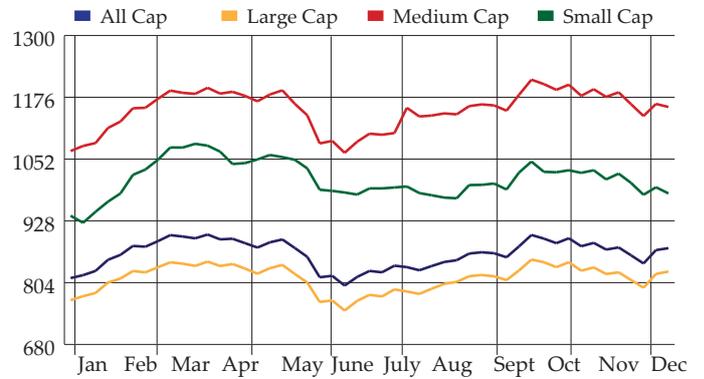
REDmoney Europe 6 Months



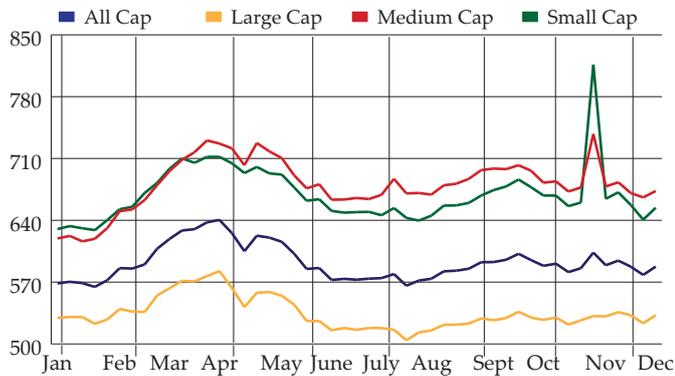
REDmoney GCC 6 Months



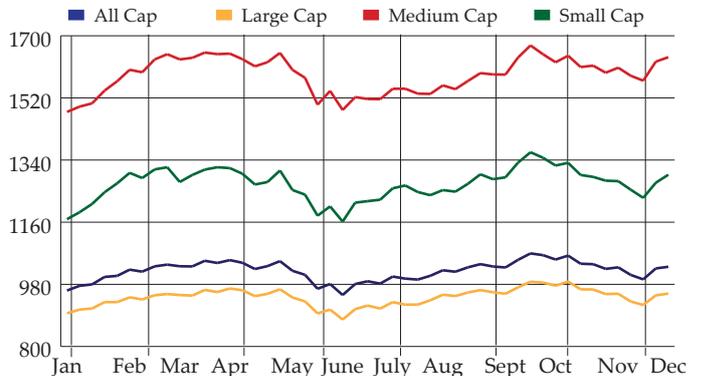
REDmoney Global 6 Months



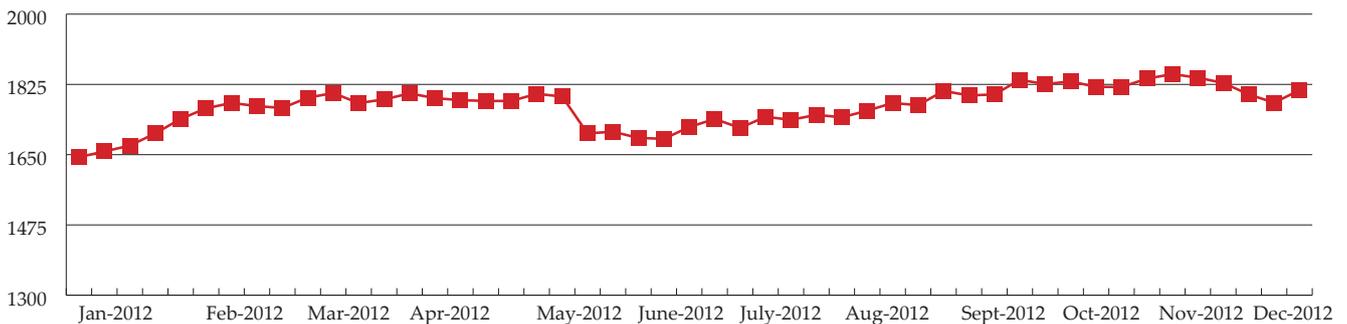
REDmoney MENA 6 Months



REDmoney US 6 Months

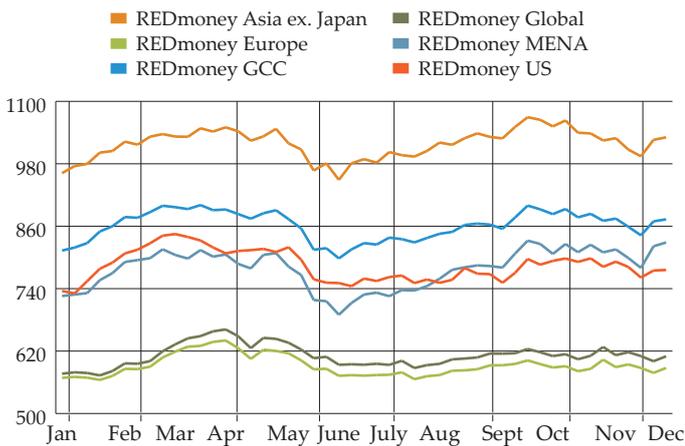


SAMI Halal Food Participation (All Cap) 6 months

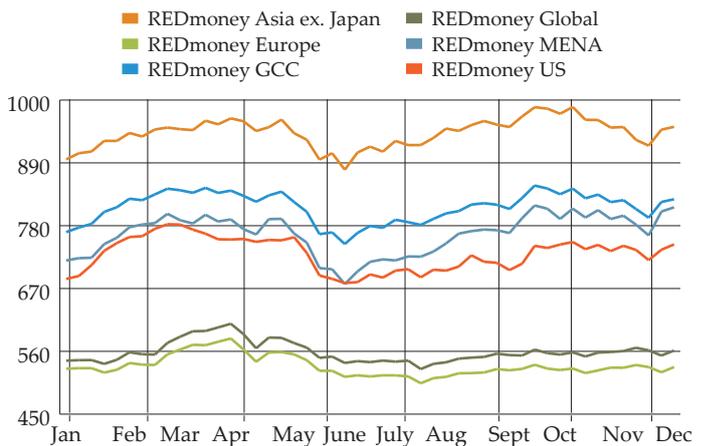


SHARIAH INDEXES

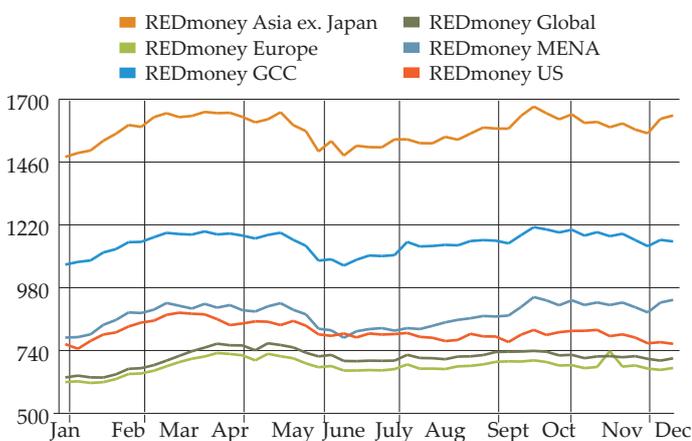
REDmoney Global Shariah Index Series (All Cap) 6 Months



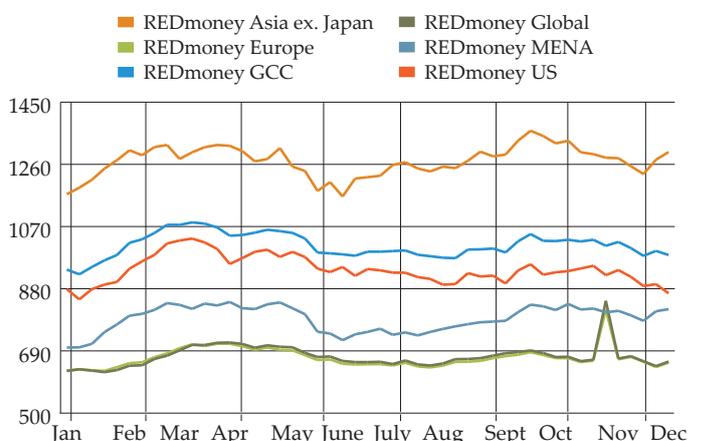
REDmoney Global Shariah Index Series (Large Cap) 6 Months



REDmoney Global Shariah Index Series (Medium Cap) 6 Months



REDmoney Global Shariah Index Series (Small Cap) 6 Months



REDmoney Global Shariah

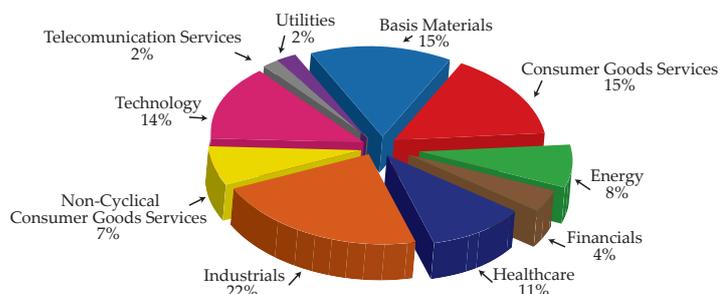
Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

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REDmoney Global Shariah Index Series

REDmoney Indexes **IdealRatings®**

For further information regarding REDmoney Indexes contact:

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Managing Director, REDmoney Group

Email: Andrew.Morgan@REDmoneygroup.com
Tel +603 2162 7800

LEAGUE TABLES

Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
15 th Nov 2012	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk Ijarah	Euro market public issue	1,000	Standard Chartered Bank, Deutsche Bank, HSBC
8 th Nov 2012	Abu Dhabi Islamic Bank	United Arab Emirates	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, Morgan Stanley, HSBC, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank
7 th Nov 2012	Turus Pesawat	Malaysia	Sukuk Murabahah	Domestic market public issue	1,110	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank
6 th Nov 2012	Golden Assets International Finance	Singapore	Sukuk	Domestic market public issue	490	RHB Capital
5 th Nov 2012	Imtiaz Sukuk	Malaysia	Sukuk Musharakah	Domestic market public issue	327	CIMB Group, Maybank Investment Bank
22 nd Oct 2012	Putrajaya Holdings	Malaysia	Sukuk	Domestic market private placement	262	CIMB Group, AmInvestment Bank, Maybank Investment Bank
11 th Oct 2012	Qatar International Islamic Bank	Qatar	Sukuk	Euro market public issue	700	Standard Chartered Bank, HSBC, Qatar National Bank
4 th Oct 2012	Edaran SWM	Malaysia	Sukuk	Domestic market public issue	245	Hong Leong Bank, CIMB Group
3 rd Oct 2012	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest
1 st Oct 2012	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	651	CIMB Group, AmInvestment Bank
20 th Sep 2012	Republic of Turkey	Turkey	Sukuk	Euro market public issue	1,500	HSBC, Kuwait Finance House, Citigroup
20 th Sep 2012	MISC	Malaysia	Sukuk	Domestic market public issue	163	HSBC, CIMB Group, AmInvestment Bank
20 th Sep 2012	HSBC Amanah Malaysia	United Kingdom	Sukuk	Domestic market public issue	163	HSBC, AmInvestment Bank, Hong Leong Islamic Bank, Maybank Investment Bank
18 th Sep 2012	Malaysia Airline System	Malaysia	Sukuk	Domestic market private placement	165	Maybank Investment Bank
7 th Sep 2012	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	321	CIMB Group, Maybank Investment Bank
3 rd Sep 2012	Cagamas	Malaysia	Sukuk	Domestic market public issue	160	RHB Capital
29 th Aug 2012	Malakoff Corporation	Malaysia	Sukuk	Domestic market private placement	577	Maybank Investment Bank
28 th Aug 2012	Syarikat Prasarana Negara	Malaysia	Sukuk Murabahah	Domestic market public issue	644	RHB Capital, Kenanga Investment Bank, CIMB Group
15 th Aug 2012	Tanjung Bin Power	Malaysia	Sukuk	Domestic market private placement	1,346	CIMB Group, Maybank Investment Bank
14 th Aug 2012	Celcom Transmission (M)	Malaysia	Sukuk Murabahah	Domestic market public issue	1,605	HSBC, CIMB Group, Maybank Investment Bank

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter

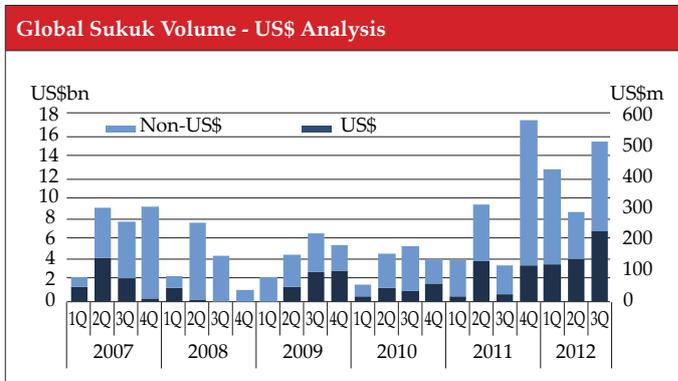
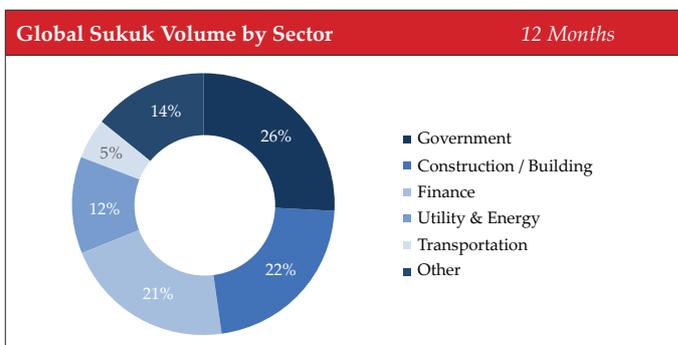
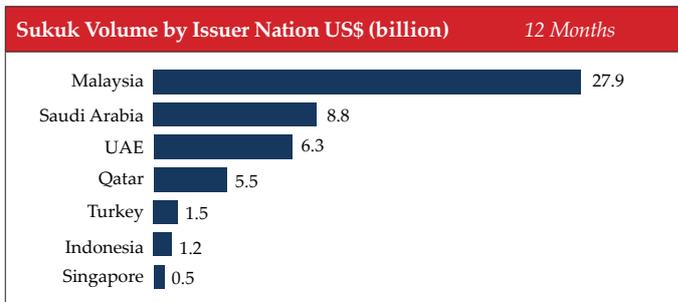
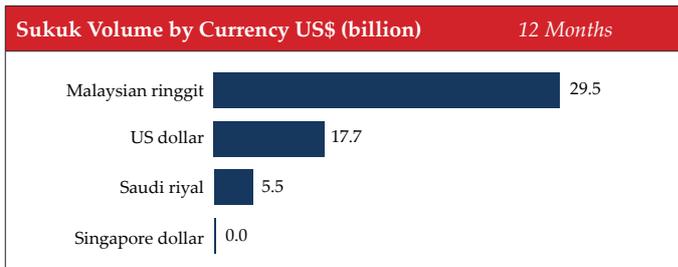


LEAGUE TABLES

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	18.2	RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank	
2 State of Qatar	Qatar	Sukuk	Euro market public issue	4,000	7.6	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest, Barwa Bank	
3 General Authority for Civil Aviation	Saudi Arabia	Sukuk	Domestic market private placement	4,000	7.6	HSBC	
4 Saudi Electricity Company	Saudi Arabia	Sukuk	Euro market public issue	1,750	3.3	Deutsche Bank, HSBC	
5 Celcom Transmission (M)	Malaysia	Sukuk Murabahah	Domestic market public issue	1,590	3.0	HSBC, CIMB Group, Maybank Investment Bank	
6 Republic of Turkey	Turkey	Sukuk	Euro market public issue	1,500	2.9	HSBC, Kuwait Finance House, Citigroup	
7 Tanjung Bin Power	Malaysia	Sukuk	Domestic market private placement	1,298	2.5	CIMB Group, Maybank Investment Bank	
8 Dubai DOF Sukuk	UAE	Sukuk	Euro market public issue	1,250	2.4	HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Citigroup	
9 Turus Pesawat	Malaysia	Sukuk Murabahah	Domestic market public issue	1,110	2.1	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank	
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	2.1	HSBC, OCBC, RHB Capital, DRB-HICOM, CIMB Group, Affin Investment Bank, Maybank Investment Bank	
12 Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk Ijarah	Euro market public issue	1,000	1.9	Standard Chartered Bank, Deutsche Bank, HSBC	
12 EIB Sukuk	UAE	Sukuk	Euro market public issue	1,000	1.9	Standard Chartered Bank, HSBC, RBS, National Bank of Abu Dhabi, Citigroup, ICD, Dubai Islamic Bank, Credit Agricole	
12 Abu Dhabi Islamic Bank	UAE	Sukuk	Euro market public issue	1,000	1.9	Standard Chartered Bank, Morgan Stanley, HSBC, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank	
15 Johor Corporation	Malaysia	Sukuk	Domestic market public issue	939	1.8	CIMB Group, Affin Investment Bank, AmInvestment Bank, Maybank Investment Bank	
16 Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	817	1.6	Maybank Investment Bank	
17 Maxis	Malaysia	Sukuk Musharakah	Domestic market public issue	805	1.5	CIMB Group, Maybank Investment Bank	
18 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	
19 Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	796	1.5	RHB Capital, Kenanga Investment Bank, AmInvestment 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 BSF Sukuk	Saudi Arabia	Sukuk	Euro market public issue	750	1.4	Deutsche Bank, Citigroup, Credit Agricole	
23 Qatar International Islamic Bank	Qatar	Sukuk	Euro market public issue	700	1.3	Standard Chartered Bank, HSBC, Qatar National Bank	
24 Aman Sukuk	Malaysia	Sukuk	Domestic market public issue	700	1.3	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank	
25 Khazanah Nasional	Malaysia	Sukuk	Domestic market private placement	652	1.2	Kenanga Investment Bank, DRB-HICOM, CIMB Group, AmInvestment Bank	
26 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, ICD	
27 Syarikat Prasarana Negara	Malaysia	Sukuk Murabahah	Domestic market public issue	644	1.2	RHB Capital, Kenanga Investment Bank, CIMB Group	
28 Malakoff Corporation	Malaysia	Sukuk	Domestic market private placement	577	1.1	Maybank Investment Bank	
29 TASNEE	Saudi Arabia	Sukuk	Domestic market private placement	533	1.0	HSBC	
30 FGB Sukuk Co Ltd	UAE	Sukuk Wakalah	Euro market public issue	500	1.0	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Citigroup	
Total				52,722	100		

LEAGUE TABLES

Top Managers of Sukuk		12 Months		
Manager	US\$ (mln)	Iss	%	
1	HSBC	10,462	29	19.8
2	Maybank Investment Bank	8,808	39	16.7
3	CIMB Group	8,454	34	16.0
4	AmInvestment Bank	4,708	26	8.9
5	RHB Capital	3,817	35	7.2
6	Standard Chartered Bank	2,789	17	5.3
7	Deutsche Bank	2,546	6	4.8
8	Citigroup	1,464	7	2.8
9	QInvest	988	2	1.9
10	National Bank of Abu Dhabi	914	6	1.7
11	Dubai Islamic Bank	868	7	1.7
12	Barwa Bank	863	2	1.6
13	Kenanga Investment Bank	666	4	1.3
14	Kuwait Finance House	568	3	1.1
15	Affin Investment Bank	468	4	0.9
16	Abu Dhabi Islamic Bank	455	4	0.9
17	ICD	439	5	0.8
18	Lembaga Tabung Haji	431	4	0.8
19	Hong Leong Bank	374	3	0.7
20	DRB-HICOM	353	9	0.7
21	Credit Agricole	350	2	0.7
22	JPMorgan	300	1	0.6
23	Qatar National Bank	233	1	0.4
24	OCBC	219	4	0.4
25	Morgan Stanley	200	1	0.4
26	Saudi National Commercial Bank	160	1	0.3
26	BNP Paribas	160	1	0.3
28	Riyad Bank	153	2	0.3
29	RBS	99	2	0.2
30	Abu Dhabi Commercial Bank	93	1	0.2
Total		52,722	127	100.0



Top Islamic Finance Related Project Finance Mandated Lead Arrangers		12 Months		
Mandated Lead Arranger	US\$ (million)	No	%	
1	Public Investment Fund	548	2	6.7
1	SABB	548	2	6.7
3	Arab National Bank	398	1	4.9
4	HSBC Holdings	360	1	4.4
4	Mitsubishi UFJ Financial Group	360	1	4.4
6	Riyad Bank	290	2	3.5
6	Samba Financial Group	290	2	3.5
8	Australia & New Zealand Banking Group	289	1	3.5
8	Mizuho Financial Group	289	1	3.5
8	Sumitomo Mitsui Financial Group	289	1	3.5

Top Islamic Finance Related Project Financing Legal Advisors Ranking		12 Months		
Legal Advisor	US\$ (million)	No	%	
1	White & Case	3,579	2	26.6
2	Allen & Overy	3,281	1	24.4
2	Skadden Arps Slate Meagher & Flom	3,281	1	24.4
4	Linklaters	684	2	5.1
5	Baker & McKenzie	417	2	3.1
6	Al-Jadaan & Partners Law Firm	386	1	2.9
6	Clifford Chance	386	1	2.9
6	Saudilegal	386	1	2.9
9	Law Office of Hassan Mahassni	298	1	2.2
9	Norton Rose	298	1	2.2

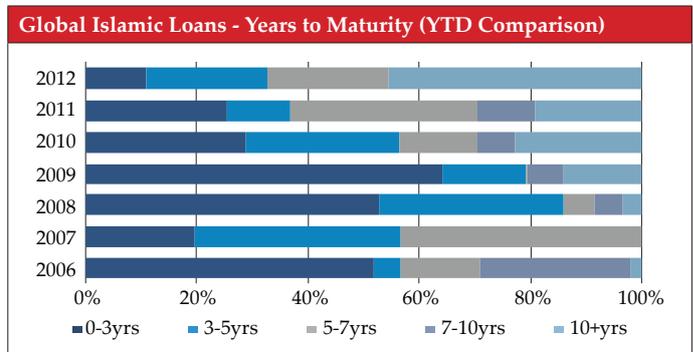
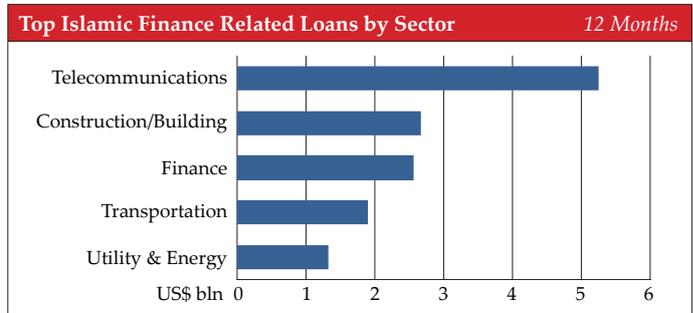
LEAGUE TABLES

Top Islamic Finance Related Loans Mandated Lead Arrangers Ranking				
12 Months				
	Mandated Lead Arranger	US\$ (mln)	No	%
1	SABB	1,465	5	7.6
2	Banque Saudi Fransi	1,013	4	5.3
3	Al-Rajhi Banking & Investment	1,007	4	5.2
4	Maybank Investment Bank	983	6	5.1
5	Samba Capital	874	4	4.5
6	AmInvestment Bank	868	4	4.5
7	CIMB Group	842	3	4.4
8	RHB Capital	794	2	4.1
9	Saudi National Commercial Bank	772	4	4.0
10	Arab National Bank	687	2	3.6
11	Standard Chartered Bank	636	9	3.3
12	ICD	621	6	3.2
13	HSBC	584	6	3.0
14	Saudi Hollandi Bank	569	3	3.0
15	Noor Islamic Bank	566	7	2.9
16	Riyad Bank	538	2	2.8
17	Abu Dhabi Islamic Bank	495	8	2.6
18	Dubai Islamic Bank	487	3	2.5
19	Citigroup	460	5	2.4
20	Barwa Bank	378	3	2.0
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	1.2
28	Qatar Islamic Bank	223	2	1.2
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	ICD	408	4	5.4
8	Standard Chartered Bank	399	6	5.2
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)
13 th Dec 2011	Barzan Gas	Qatar	5,442
12 th Feb 2012	Mobily	Saudi Arabia	2,667
25 th Jul 2012	Zain Saudi	Saudi Arabia	2,600
11 th Jun 2012	DanaInfra Nasional	Malaysia	2,525
4 th Jul 2012	Dubai Duty Free	UAE	1,749
14 th Feb 2012	Power & Water Utility for Jubail & Yanbu	Saudi Arabia	1,200
13 th Jun 2012	JAFZA	UAE	1,198
30 th Jun 2012	TIBAH	Saudi Arabia	1,193
25 th Jun 2012	Bawabat Al Shamal Real Estate Company	Qatar	1,154
2 nd Jun 2012	DIFC Investments	UAE	862

Top Islamic Finance Related Loans by Country				
12 Months				
	Nationality	US\$ (mln)	No	%
1	Saudi Arabia	8,226	7	42.7
2	Malaysia	3,851	6	20.0
3	UAE	3,461	8	18.0
4	Qatar	1,317	2	6.8
5	Turkey	1,256	5	6.5
6	Sri Lanka	350	2	1.8
7	Pakistan	233	6	1.2
8	Singapore	207	1	1.1
9	Indonesia	183	4	1.0
10	Brunei Darussalam	170	1	0.9



Are your deals listed here?

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(Metropolitan Egypt)

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 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)*

19th December 2012
2012 International Real Estate Finance (IREF) Summit, Dubai, UAE *(ICG Events)*

4th – 5th February 2013
9th Middle East Insurance Forum (MEIF 2013) Manama, Bahrain *(Mega Events)*

5th February 2013
IFN Bangladesh Roadshow
 Dhaka, Bangladesh *(REDmoney Events)*

22nd March 2013
IFN Singapore Roadshow
 Singapore *(REDmoney Events)*

15th – 16th April 2013
IFN Indonesia Forum
 Jakarta, Indonesia *(REDmoney Events)*

17th April 2013
3rd Annual Middle East Islamic Finance and Investment Conference (MEIFIC 2013)
 Dubai, UAE *(Mega Events)*

29th April 2013
IFN Morocco Roadshow
 Fez, Morocco *(REDmoney Events)*

7th May 2013
IFN Australia Roadshow
 Melbourne, Australia *(REDmoney Events)*

21st – 22nd May 2013
IFN Europe Forum
 London, UK *(REDmoney Events)*

27th – 28th May 2013
9th Annual World Islamic Funds and Financial Markets Conference (WIFFMC 2013)
 Manama, Bahrain *(Mega Events)*

4th – 5th June 2013
4th Annual World Islamic Banking Conference: Asia Summit (WIBC Asia 2013)
 Singapore *(Mega Events)*

12th June 2013
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COMPANY INDEX

AAOIFI	9,11	Dubai International Financial Centre	8	Muscat Securities Market	9
Abrahams, Davidson & Co	21	Dubai Islamic Bank	9	Naim Indah	10
Adl Capital	15,16	Durham University	22	National Bank of Abu Dhabi	14
Ahli Bank of Qatar	7	Elixir Capital	25	National Commercial Bank	8
Ahli United Bank	7	Ernst & Young	1,4	NCB Capital	6
Alizz Islamic Bank	9	Etiqa Takaful	11	Noor Islamic Bank	9
Alkhabeer Capital	10	European Investment Bank	8	OSK Ventures	10
Allen & Gledhill	13	Fajr Capital	12	Partnerships Consulting	22
Allianz Life Indonesia	3	Felda Global Ventures	10	Path Solutions	11
Aman Union	9	Finance Houses Association of Sri Lanka	17	People's Finance	15
Amana Takaful	15	Formabb	22	Public Mutual	10
Amana Takaful Maldives	13	Gambia Groundnut Corporation	6	PwC	23
AmBank Investment Bank	18	Gatehouse Bank	7	Qatar Central Bank	3
Amundi	6	General Council for Islamic Banks and Financial Institutions	8	Qatar Exchange	3
Appellate Court Pardubice	13	Gopeng	10	Qatar Financial Center	8
Arab Fund for Economic and Social Development	7	Great Eastern Life Indonesia	4	Qatar Financial Markets Authority	3
Arab Investment & Export Credit Guarantee Corporation	9	Great Eastern Takaful	4	Qatar Holding	7
Asian Development Bank	8	HSBC	12	Qatar Investment Authority	7
Asuransi Takaful Keluarga Indonesia	3	HSBC Amanah	12,14	QIB (UK)	10
Asuransi Takaful Umum	3	Hyatt	15	RAM	14
Aventicum Capital Management	8	ICIEC	10	Reuters	9,10,23
Axiata Group	9	IDB	7,8	Ruwad Establishment	9
Bank Islam Brunei Darussalam	12	IdealRatings	8	S&P	10,11
Bank Islam Malaysia	7,18	IHH Healthcare	10	S&P Dow Jones Indices	11
Bank Negara Malaysia	18	Institute for Management Development (Switzerland)	19	Sakana Holistic Housing Solutions	9
BankDhofar	9	International Turnkey Systems	8	SALAMA	10
Banque Populaire de Mauritanie	7	Irish Stock Exchange	6	Saturna Capital	23
BAPEPAM	3	ISRA	11,19	Securities & Exchange of Sri Lanka	15
Barwa Bank	10	ITFC	6	Securities Commission Malaysia	10,12,19
BEST RE	10	Jadwa Investment	12	Shangri-La	15
Bloomberg	3,5	K&L Gates	8	SHAPE Financial	23
Bolton	9	KFH-Research	6	Shariah Financial Supervisory Board	20
Brem Holdings	10	Kuveyt Türk Katılım Bankası	8	Sharjah Chamber of Commerce and Industry	9
Brennan Investment Group	7	Kuwait Finance House	8,9	Sharjah Islamic Bank	9
Bursa Malaysia	18	Kuwait Finance House (Bahrain)	8	Sheraton	15
Bursa Securities	18	Labuan Financial Services Authority	6	Solar Guys International	6,7
Cagamas	3	Lanka ORIX Finance	15,17	Standard Chartered Saadiq	23
Capital Market Development Authority (Maldives)	13	LB Finance	15	Standard Chartered Saadiq (Malaysia)	14
Central Bank of Bahrain	8,9	Leasing Association of Sri Lanka	17	Sun Life Financial Indonesia	1,4
Central Bank of Ireland	6	MAA Group	10	Swiss Re Retakaful	23
Central Bank of Oman	9	MAA Takaful	10	Syarikat Takaful Malaysia	3,7
CIMB	7	Malaysia Airlines System	6,10	Tadmax Resources	10
CIMB Bank	18	Maldives Islamic Bank	13	Takaful Ikhlas	10
CIMB Islamic	13	Manulife Aset Manajemen Indonesia	3	Teknologi Tenaga Perlis Consortium	6
CIMB-Principal Asset Management (Indonesia)	3	Mash Consulting Group	8	The First Investor	10
Clifford Chance	14	Maybank Investment Bank	14,18	The Royal Bank of Scotland	7
Comtrust Asset Management	15	Maybank Islamic	14	The Royal Bank of Scotland (Malaysia)	14
Credit Suisse	7	MCCA Islamic Finance & Investments	7	UEM Land Holdings	6
Crescent Wealth	7	Meezan Bank	9	UN-ESCSWA	9
Danajamin Nasional	7	Middletons	8	Weqaya	10
Dananeer	23	MIFC	19	Wong & Partners	14
Dar Al Sharia	11	Mitabu Australia	6	World Bank	8,9
DDCap	11	Morsima	21	Zain Saudi	8
Deal Journal Australia	7	Multinet Pakistan	9		

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