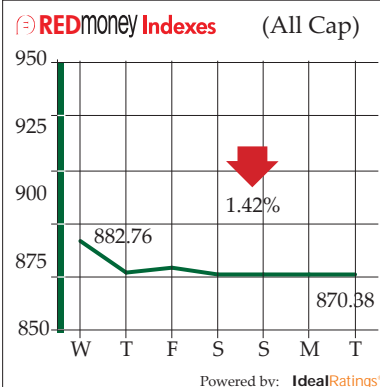


# Islamic Finance *news*

The World's Global Islamic Finance News Provider

REDmoney publication

31<sup>st</sup> October 2012



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## Breaking the barriers: Graduate employment in Islamic finance

It is widely agreed that a shortage of talent is one of the most significant issues facing the Islamic finance industry. But on the other side of the coin, graduates are now finding that despite the urgent need for manpower they are still facing major barriers in entering the Islamic finance workforce. We take a look at what is causing this dangerous demand/supply disparity.

### Demand for supply

There is no doubt that the need for qualified Islamic finance professionals is one of the most urgent and widespread calls in the industry. In the Gulf, it was estimated as long ago as 2006 that in the GCC alone the Islamic finance industry needed at least 30,000 jobs over the next 10 years.

According to Malaysia's Financial Sector Blueprint 2011-20 up to 56,000 new finance industry positions will be needed in the next 10 years; including up to 40,000 Islamic finance industry jobs. A recent survey by Bank Indonesia suggested that the country would need 17,000 qualified Islamic finance professionals over the next three to five years, while some estimates go as high as 39,000.

"The Islamic finance sector is growing faster than the supply of talent," says Dr Mohammad Akram Laldin, the executive director of the International Syariah Research Academy for Islamic Finance, who also sits on the Shariah Advisory Council of Bank Negara Malaysia, the Malaysian central bank.

Dr Mohd Pital Zainal, the head of research at the Global University of Islamic Finance (INCEIF), agrees. "With the tremendous double-digit growth rate, the common

denominator facing the industry globally is the shortage of manpower."

### Lack of opportunities

However, not everyone agrees. While the specific players in the Islamic finance space might bemoan the lack of available talent, on a broader level many feel that the reason for this is simply that the industry has yet to reach a scale where it can offer attractive enough opportunities to entice the best graduates. "There isn't a lack of talent, there's just a lack of opportunities," says a Singapore-based consultant. "There aren't a huge number of Islamic financial institutions, and the employment opportunities compared to the wider financial markets are limited."

Edy Setiadi, the director of Islamic banking at Bank Indonesia, in a recent interview agreed with this sentiment: "Because the market share is still small, Islamic banks are still not the top destination for many graduates of the country's best universities."

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## The human capital conundrum

### Editor's Note

Human capital is a vital ingredient in the success of any organization or industry. Islamic finance is no exception, and one of the most common grumbles heard by market players is the shortage of talent in the industry. Some even cite it as the main drawback to growth.

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## DEALS

**Sumberdaya Sewatama** to issue Sukuk worth US\$20.74 million in November 2012

Indonesia to sell US\$51.9 million worth of Sukuk

**Al-Amanah Islamic Investment Bank of the Philippines** up for sale

**Bank Rakyat** proposes US\$327.92 million IMTN program

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**Bank Muamalat Malaysia** launches microfinancing scheme

IIAFC 2012 as platform to discuss Islamic finance issues

Malaysia third in Asia for Sukuk and bond issuances, says **Securities Commission Malaysia**

**Al-Takaful Palestinian Insurance Company** announces 237% surge in nine-month profits

**Amanah Hartanah Bumiputera** announces income distribution

**GFH Capital** and **Leeds United Football Club** to finalize deal soon

**Kuwait Finance House** names Mohammed Al-Khodairi as new chairman

Banking system should move away from use of checks, says CEO of **Noor Islamic Bank**

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**MARC** affirms ratings on **Serrisa Sinar's** US\$65.42 million Sukuk

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## MOVES

**MNRB Retakaful** names **Mohd Sahimy Man** as new CEO

**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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## Breaking the barriers: Graduate employment in Islamic finance

Continued from page 1

Davide Barzilai, the head of Islamic finance at Norton Rose, speaking to Islamic Finance *news* last year, explained that: "The market is not deep enough to have talent outside of Malaysia and the Middle East... It is still rare for the Asian market as a whole to hire talent with a specific focus on Islamic finance."

### Competitive factors

In addition, the talent shortage is not necessarily a good thing for graduates, but can act as its own barrier. Pisal believes that: "Since the industry is growing above the conventional financial industry average across the globe, competition for talent between and within the industry is very stiff."

But as the industry expands, intense competition for jobs is also developing, and banks are having to spend more and more money on providing training, incentives and opportunities. With Islamic finance still a relatively niche area, this is often an expenditure they may be reluctant to make. In the Middle East in particular, the traditionally high wages of the public sector provide stiff competition to banks. One recruitment manager at a major UAE-based retail bank comments that: "The war for talent is pretty intense and it is getting more intense as the market picks up."

"It's definitely tough competition", says another. "But its tough for the graduates as well. For banks to spend the money, they need to prove themselves capable and that is not always the case."

### The wrong skills

One of the biggest barriers for graduates is that they often emerge from university with the wrong skills to enable them to operate in the professional workplace.

"Many graduates are knowledgeable in the various terminologies and products but don't know the basic tenets of fund management and how the Shariah component then fits into the whole picture," claims Abdul Jalil Abdul Rasheed, CEO of Aberdeen Islamic.



A 2010 survey by Deloitte among the leaders of Islamic finance in the Gulf area suggested that more than 60% of Islamic finance professionals and

practitioners require further training and skills development; while only 18.5% of the respondents believed that the Islamic finance institutions in the Gulf region were properly staffed with people that had the depth and experience to cope with the challenges ahead in the industry.



**“Universities are not necessarily training their graduates to meet the needs of the professional world”**

### University standards

Pisal agrees, suggesting that universities are not necessarily training their graduates to meet the needs of the professional world. "University curriculae on Islamic finance have very little or no relevance to the ever-changing needs of the industry because the industry was not consulted in the design of these curriculae."

He acknowledges that: "The universities, in their rebuttal, point out that their primary role is not to mass-produce the workforce for the industry, but rather to produce knowledgeable or thinking graduates equipped with generic as well as specific competencies."

However, the fact remains that a compromise must be reached if the industry is to advance. "Both the

continued...

## CLOSING BELL

### Crude oil Sukuk in the pipeline

**IRAN:** The Iranian government has revealed plans to issue Sukuk with crude oil as its underlying assets to the public, to attract investments into the oil industry. The CEO of the National Iranian Oil Company, Ahmad Ghalehbani, said: "Iran wants to pre-sell crude oil to its people in the form of bonds."

According to Rostam Qasemi, the oil minister, up to US\$15 billion in Sukuk have been endorsed by the Iran Securities and Exchange Organization over the last year, but no issuances have transpired. ☹

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## Breaking the barriers: Graduate employment in Islamic finance

*Continued from page 3*

industry and the universities need to find a focal point and come up with an Islamic finance curriculum that is relevant to the industry.

### Availability

And in some regions, even education itself is lacking. Pisal notes that: "The mismatch is also due to the fact that the number of universities offering Islamic finance-related courses throughout the world is still relatively small compared to the number of talents required by the industry."

Al Ghurair University, a UAE-based educational institution, recently set up its own Islamic Banking and Finance Center (IBFC) with the goal of conducting capacity development programs, providing industry-related research and to offering consultancy services in the Gulf region. A 2010 IBFC survey found that the most significant factor inhibiting the development of the Islamic finance industry was: "Quality of human resources and capacity development issues."

A major concern was identified regarding the limited availability of Islamic finance education in the region. "Despite the growing interest in Islamic finance, no educational institution has been launched by either governments or the financial institutions in the [Gulf] region."

### Boosting knowledge

However, over the last few years Islamic finance education globally has become more widely available. "A few years ago, Islamic banking faced lots of difficulties in recruiting people as the graduates leaving university weren't aware of Islamic finance," said Adnan Ahmed Yousif, CEO of Al Baraka Banking Group, in a recent interview. "Now, the situation has completely changed as you have too many names. Many universities, both here and in Europe, have started to include Islamic banking in their finance qualifications and you have graduates from Islamic courses too."

These include institutions outside of the core centers of Malaysia and the Middle East. The UK now has 55 educational institutions offering Islamic business and finance courses, according to the Securities

and Investment Institute. The number of female graduates is also rising, with the National Bank of Abu Dhabi claiming that over 50% of its 2011 graduate intake were women.

**“Employers often ignore and/or refuse to consider Shariah compliant ideas if they contradict with commercial aims”**

### Capacity building

While the larger markets are struggling to source and educate adequate manpower, smaller markets attempting to build their own Islamic finance markets and carve a niche for themselves on the global stage are also jockeying for position. In May 2012 Dr Akram announced at the International Conference on Islamic Finance in Brunei that building human capacity was the key to developing a legitimate Islamic finance sector in the country.

Brunei recently launched the Center for Islamic Banking, Finance and Management (CIBFM) to address this issue; providing a range of short courses for banking and finance staff to acquaint them the tenets of Islamic finance. According to Dr Akram: "We have started seeing more and more people who are trained in Islamic finance coming up. This is a very good sign."

### On the job experience

However despite the increasing range of educational institutions pumping out growing numbers of qualified graduates, this is still not always translating into employment; nor solving the talent shortage, as the students do not necessarily have the skills the market requires.

Nur Khadtijah, a research executive at INCEIF, believes that a key barrier for Islamic finance graduates is: "A lack of practical experience, which is highly sought after by employers. Practical training, internships and attachment programs must be taken more seriously both by educational institutions and by companies; in terms of spreading practical knowledge and offering close supervision, performance valuation and governance."

Pisal agrees: "Islamic finance institutions must cooperate in providing placements for final year students to do their internships. This will provide opportunities for the students to align their classroom knowledge with a real world scenario prior to entering the job market. If we do not provide them with the first hand experience, not only will the new entrants to industry have a very steep learning curve, but also they might find it difficult to manage the expectations of their employers in discharging their duties."

### Culture of unwillingness

This is not always easy to achieve however, and there can be a reluctance from institutions to participate. In addition, they are not always keen to take on board the skills that the graduates are offering. Khadtijah notes that even when qualified students do achieve positions, there is often "no opportunity for them to implement ideal Shariah compliant change." If Shariah compliance contradicts the commercial targets of the bank, they often have to take a back seat. "Employers often ignore and/or refuse to consider Shariah compliant ideas if they contradict with commercial aims."

To change this, she believes that: "Financial institutions, employers and companies must break free from their comfort zone, and be willing to adopt new ideas and implement the right form of change for the continuous survival and success of Islamic finance."

### Student barriers

However, one of the biggest barriers to graduate employment in Islamic finance can often, unfortunately, be the students themselves. Nur Khadtijah explains that: "They often have an inability to adapt to different working environments — due

*continued...*



## Breaking the barriers: Graduate employment in Islamic finance

Continued from page 4

to limited personal abilities, language barriers, etc.”

**“The industry can be its own worst enemy”**

Language barriers can play a significant part in the overall issue of Islamic finance talent. While seemingly only a small detail, in fact it can be one of the biggest barriers to successful employment. Although the ratios are gradually changing, at the moment many Islamic finance students come from non-western countries and are often used to speaking Arabic, Malay or other languages in both their daily and professional lives. However, English remains the global language of finance and, especially as more and more international banks and

non-Islamic banks begin to enter the market, proficiency in business English is a necessity rather than an advantage. Dr Akram confirms that: “Syariah graduates sometimes feel very uncomfortable using English”, although he also points out that: “I believe we can slowly overcome this”.

### Working together

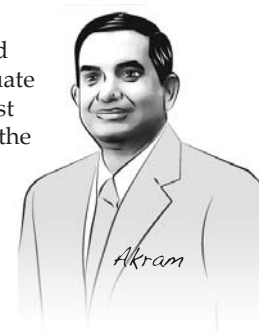
So where is the problem? Is it the students themselves — an issue with their skills and competencies which mean they do not add enough value to make them worth hiring? Or is it the employers and their reluctance to accept the skills the students are offering, or to spend money on developing and encouraging talent? Or is it simply the industry and its demand/supply mismatch which is creating an inevitable talent shortage which market forces will eventually correct?

As always, the answer lies in all of these factors. The talent shortage in Islamic finance is undeniable, but the industry

can be its own worst enemy and barriers to graduate employment exist on both sides of the coin. Students need to be more proactive in developing themselves into the type of employees the industry needs.

At the same time, companies need to be more encouraging and accepting of the kind of talent that is available to them, and put more effort into developing them, as resources.

Islamic finance professionals do not pop out of university ready-made — no one does. It takes time, effort, encouragement and incentives. The opportunities are there: but employees and graduates alike must work together rather than against each other to grasp hold of them. ☺ — LM



## The human capital conundrum

### Editor's Note

**Human capital is a vital ingredient in the success of any organization or industry. Islamic finance is no exception, and one of the most common grumbles heard by market players is the shortage of talent in the industry. Some even cite it as the main drawback to growth.**

This shortcoming has been brought to the attention of the education sector, seeing a huge take-up globally over the last few years in institutions of higher education offering Islamic finance programs; ranging from a mere certificate all the way up to a PhD.

With a current steady flow of graduates from these institutions, the supposed solution to the industry has instead become an additional problem, as these students are now finding it more and more difficult to enter the Islamic

finance workforce. This week, our cover story brings to light this thorny issue and looks at how it is preventing the Islamic finance industry from reaching its full potential.

Sukuk is the highlight of this week's IFN reports, namely on the possible closing of one door — Dana Gas' US\$1 billion repayment for its maturing Sukuk on the 31<sup>st</sup> October — and the opening of another (in the case of Egypt and its impending Sukuk issuance). Other reports deal with a wide range of issues including the necessity of Islamic finance in Europe in the midst of its sovereign debt crisis; the amended Sukuk laws in Jordan that it is hoped will facilitate secondary trading in the country; as well as the implications of HSBC Amanah's withdrawal of its retail banking business in the UAE.

One of the world's major superpowers becomes the country focus this week

with Arshad Ahmed, the managing director of Elixir Capital, examining the differences between Islamic finance and private equity in the US; while Muhd Jamil Abas Abdul 'Ali @ James Chiew at Abrahams, Davidson & Co, brings us the second part of his feature on the meaning of Hukum Syara' under the Shariah Supervisory Board Order 2006 in Brunei.

Our features also focus on the private banking and wealth management segment with Ali Shervani, the country head at Fin8, broaching the issue of how Islamic wealth management services can provide answers to the key questions in the minds of the average person in today's world.

Finally Dr Khawla Al Nobani, the managing partner at Dirayah Islamic Financial Advisory Services, is our Meet the Head. ☺

## DEALS

### Sukuk for power firm

**INDONESIA:** Local power firm Sumberdaya Sewatama plans to issue IDR200 billion (US\$20.74 million)-worth of five-year Sukuk and IDR800 billion (US\$82.96 million) in conventional bonds in November this year.

Initial offerings for the notes will be held from the 24<sup>th</sup> October through to the 7<sup>th</sup> November. The notes will be on sale to the public for two days from the 22<sup>nd</sup> November and listed on the Indonesia Stock Exchange on the 29<sup>th</sup> November.

Mandiri Sekuritas and DBS Vickers Securities Indonesia are underwriting the issuances. (f)

### Rupiah Sukuk in the pipeline

**INDONESIA:** Indonesia's finance ministry will sell five series of Sukuk beginning tomorrow, the 30<sup>th</sup> October 2012, with a collective initial indicative target of IDR500 billion (US\$51.9 million). The first Islamic bond will be

issued as State Syariah Treasury Notes (SPNS), maturing on the 30<sup>th</sup> April 2013.

The second issuance will mature on the 15<sup>th</sup> February 2018, with a yield of 4.45%, while the third issuance is set to mature on the 15<sup>th</sup> January 2022, with a yield of 5.45%. Proceeds from the Islamic notes will be used to finance the government's state budget.

The sale of the Islamic bonds will be conducted on an auction basis by Bank Indonesia, the country's central bank. (f)

### Islamic bank for sale

**PHILIPPINES:** Development Bank of the Philippines (DBP) has reportedly received approval-in-principle from the central bank to dispose of its 99.88% stake in Al-Amanah Islamic Investment Bank of the Philippines.

DBP must now secure the approval of the Governance Commission for Government-owned and Controlled Corporations to hold a public auction for the sale. (f)

### Malaysia's Bank Rakyat proposes US\$327.92 million IMTN program

**MALAYSIA:** Development financial institution (DFI) Bank Kerjasama Rakyat Malaysia (Bank Rakyat) has proposed an Islamic medium-term notes (IMTN) program of up to RM1 billion (US\$327.92 million), to be issued via its funding conduit Imtiaz Sukuk.

The planned issuance is in tandem with a move by Malaysian DFIs to reduce their reliance on government funding. In August this year SME Bank, another local DFI, issued RM500 million (US\$163.96 million)-worth of Sukuk in its inaugural debt market issuance. In an interview with *Islamic Finance news* Mohd Razif Mohd Yunus, its managing director, said that the bank's move to tap the debt market for the first time is in line with Malaysia's economic agenda, which promotes less dependence on government support.

*Islamic Finance news* also understands that Malaysian banks will be looking to issue debt in the coming months to raise capital to meet Basel III requirements on higher capital. In September this year, CIMB Islamic issued RM300 million (US\$98.38 million)-worth of Sukuk.

Bank Rakyat's proposed IMTN program has been assigned an initial rating of 'AA2(s)' by RAM, reflecting the bank's credit strength, given its obligations under a purchase undertaking for the issuance.

"Bank Rakyat is a leading cooperative and DFI in Malaysia, with a strong foothold and dominant market share in the civil servant personal financing segment," noted the rating agency, adding that the bank is expected to receive government support should the need arise. (f)

#### DEAL TRACKER

Full Deal Tracker on page 26

ISSUER	ISSUING CURRENCY	SIZE (US\$)	DATE ANNOUNCED
Sumberdaya	IDR	103.9 million	5 <sup>th</sup> October 2012
MNRB Holding	RM	48.79 million	4 <sup>th</sup> October 2012
Banque Saudi Fransi	SAR	666.52 million	4 <sup>th</sup> October 2012
Edaran SWM	RM	325.26 million	4 <sup>th</sup> October 2012
International Islamic Liquidity Management Corporation	US\$	200 to 500 million	4 <sup>th</sup> October 2012

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## ASIA

### New microfinancing scheme

**MALAYSIA:** Bank Muamalat Malaysia, which expects to conclude negotiations to dispose of a stake in the bank to Affin Holdings by the end of this year, is targeting to disburse RM20 million (US\$6.56 million)-worth of funds under its newly launched microfinancing scheme within the next 18 months.

The scheme caters to government and military pensioners, military wives and participants of rural population development scheme, FELCRA (Federal Land Consolidation and Rehabilitation Authority), providing funds for business start-ups and expansion. (2)

### Discussing market issues

**MALAYSIA:** The 2012 International Islamic Accounting & Finance Conference (IIAFC 2012), which is co-organized by the Accounting Research Institute, will act as a platform for industry leaders to discuss issues impacting the global Islamic finance market today.

To be held on the 20<sup>th</sup>- 21<sup>st</sup> November, the speakers at the event include Badlisyah Abdul Ghani, CEO of CIMB Islamic and Professor Dr M. Kabir Hassan, professor of finance at the University of New Orleans. (2)

### Malaysia third in bond issuances

**MALAYSIA:** Malaysia is currently the third-largest currency bond market in Asia, with collective issuances of Islamic and conventional bonds coming up to RM980 billion (US\$318.76 billion) as of the 30<sup>th</sup> September 2012, in comparison to RM841 billion (US\$273.55 billion) during the same period the year before, according to Ranjit Ajit Singh, the

chairman of the Securities Commission Malaysia.

He also noted that new regulations and guidelines for public-listed corporate entities and financial institutions looking to tap into the Sukuk and bond market will be announced during the first quarter of 2013. (2)

### Profits surge

**PALESTINE:** Al-Takaful Palestinian Insurance Company reported a 237% surge in profit before tax to US\$586,503 for the nine months ended the 30<sup>th</sup> September 2012.

Its total assets reached US\$19.19 million, from US\$17.68 million as at the 31<sup>st</sup> December 2011. (2)

### Second income distribution

**MALAYSIA:** Maybank Asset Management and Pelaburan Hartanah announced a second income distribution of RM3.25 (US\$1.06) per unit for unitholders of Amanah Hartanah Bumiputera for the 2012 financial year.

The total payout of RM31 million (US\$10.12 million) translates to an annualized income yield of 6.5%. (2)

## GLOBAL

### Football deal almost secure

**GLOBAL:** GFH Capital, the Dubai-based private equity arm of Bahrain's Gulf Finance House (GFH), announced on the 26<sup>th</sup> October 2012 that its discussions to acquire UK football team Leeds United Football Club (LUFC) are close to materializing.

According to the statement published on LUFC's website, GFH Capital has provided the club owners with sufficient proof that it has the funds to carry out

*continued...*

### Kuwait Finance House names Mohammed Al-Khodairi as new chairman

**KUWAIT:** Kuwait Finance House (KFH) has appointed Mohammed Al-Khodairi as its new chairman, following the resignation of Sameer Al-Nafisi and amid a five-year transformation program implemented at the beginning of this year.

Sameer resigned to focus on his personal business pursuits, said the bank, which also appointed Hamad Al-Omairi as a board member.

The board changes follow the appointment of several new senior management positions in September: with Anwar Alghaith named as the chief operating officer, Mohammed Saeed Abdulwahab as the general manager of financial control, Paul Quigly as a manager at its risk management department, Nasser Al-Fawzan as the manager of retail banking and Shaheen Hamad Al-Ghanem as the general manager of international banking operations.

In January this year the bank announced a five-year plan focused on three pillars comprising improving its performance in Kuwait, streamlining its investment portfolio and increasing coordination across its international banking subsidiaries.

In its latest financial results announcement for the first half of 2012, Sameer said that results of the bank's transformation plan were expected to emerge in the "coming period". During the six-month period, KFH announced total profit of KWD111.7 million (US\$397.3 million) on the back of KWD394.4 million (US\$1.4 billion) in revenue. (2)

### Next Forum Question:

**Sukuk are evolving from asset-backed to asset-based structures. How will this impact the way defaults are managed?**

*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 2<sup>nd</sup> November 2012.*

*continued...*

the transaction. Confidence in GFH Capital's ability to fund the deal had previously waned due to the delay in securing the deal. (2)

## MIDDLE EAST

### Alternative payments sought

**UAE:** The financial system should develop alternative payment channels to move away from the use of checks; in a bid to reduce administrative costs and avoid expensive measures involved in recovering bounced checks, said Hussain AlQemzi, CEO of Noor Islamic Bank. (2)

### Amending tax laws

**OMAN:** The government has hired KMPG to recommend amendments to the sultanate's tax laws to make room for Islamic finance products and services. (2)

### KFH reports growth

**KUWAIT:** Kuwait Finance House reported a net profit of KWD75.9 million (US\$269.46 million) for the third quarter of 2012, 7.2% higher than a year earlier; as revenue rose 6% to KWD611.9 million (US\$2.17 billion).

Total assets increased by 6.3% to KWD14.2 billion (US\$50.41 billion). (2)

### New product offering from EIB

**UAE:** Emirates Islamic Bank has launched a credit card in a tie-up with carrier Emirates, offering frequent flyer benefits for travelers on the airline. (2)

### QIIB goes live with Misys

**QATAR:** Qatar International Islamic Bank (QIIB) has implemented Misys Payment Manager by financial software provider Misys to make direct debit and credit payments easier and more secure for its customers. (2)



### Profits surge

**BAHRAIN:** ABC Islamic Bank reported a 75% year-on-year growth in net profit to US\$2.8 million for the third quarter of 2012, as operating income rose to US\$4.3 million from US\$4 million and expenses remained flat at US\$1.4 million. (2)

### Encouraging results for Palestine Islamic Bank

**PALESTINE:** Palestine Islamic Bank reported an increase of 268.4% in net profits before tax at US\$5.38 million for the term ended the 30<sup>th</sup> September 2012, compared to US\$1.46 million in the same period last year.

The bank's total assets grew by 4.8% to US\$411.78 million from US\$392.68 million in the first nine months of 2011, and saw a 2.5% hike in paid-in capital to US\$47.17 million from US\$46 million in the previous year. (2)

### Al Rajhi Takaful reports profits

**SAUDI ARABIA:** Al Rajhi Company for Cooperative Insurance (Al Rajhi Takaful) announced a net profit before Zakat of SAR4 million (US\$1.07 million) for the third quarter ended the 30<sup>th</sup> September 2012, against a loss of SAR18.36 million (US\$4.9 million) recorded during the same period a year earlier.

During the period, its gross written premiums rose to SAR130 million (US\$34.66 million) from SAR107.5 million (US\$28.66 million). (2)

## Coming up...

Volume 9 Issue 44 — 7<sup>th</sup> November 2012

#### Features

Australia — a new Islamic finance hub?; By Nigel Denisson, head of asset management & treasury, Bank of London and The Middle East.

Examining Malaysia's Shariah governance framework's provisions on Shariah advisors; By Sherin Kunhibava, consultant at Wisdom Management Consultancy.

Islamic finance — growth strategy model; By Umer Majid, head of Islamic finance at Halal Investments, UK.

## RATINGS

### Strongly rated

**TURKEY:** IIRA has assigned a national scale rating of 'A/A-2(tr)' to Bank Asya Katılım Bankası; and foreign currency and local currency ratings of 'BB+/B' and 'BBB-/A-3', respectively. (2)

### Ratings affirmed

**MALAYSIA:** MARC has affirmed its ratings on Serrisa Sinar's RM200 million (US\$65.42 million) senior Islamic commercial papers/Islamic medium-term notes (IMTN) program at 'MARC-1ID/AAID' and upgraded its ratings on the company's RM20 million (US\$6.54 million) junior IMTN program at 'AA-ID', with a stable outlook. (2)

### Multiple reaffirmations

**MALAYSIA:** RAM has reaffirmed the long-term ratings for toll concessionaire Lingkar Trans Kota's multiple Sukuk programs worth RM1.15 billion (US\$374.05 million) and RM300 million (US\$97.58 million) at 'AA2'; with a stable outlook.

The agency has also withdrawn the initial 'P1' rating on the company's RM100 million (US\$32.53 million) Sukuk, upon confirmation that the facility's validity period had lapsed. (2)

### Strong reaffirmations

**MALAYSIA:** RAM has reaffirmed local port operator Lumut Maritime Terminal's RM60 million (US\$19.52 million) Sukuk program a long-term rating of 'A1'; with a stable outlook. (2)

## MOVES

### MNRB Retakaful

**MALAYSIA:** MNRB Retakaful has named **Mohd Sahimy Man** as its new CEO, replacing Ismail Mahbob, who retired in May this year.

Mohd Sahimy was previously the senior executive officer of Malaysian Re (Dubai). (2)

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# Tough times ahead for Dana Gas as repayment deadline arrives

The fate of Dana Gas' US\$1 billion Sukuk, maturing today, the 31<sup>st</sup> October 2012 still hangs in the ballots at time of press. Despite talks of a possible restructuring in May and news just last week that the company had been in discussions with its Sukuk-holders to extend its repayment date, nothing concrete has materialized on the fate of the maturing paper.

The Sukuk, which was issued on the 7<sup>th</sup> October 2007 at an initial size of US\$750 million was increased to US\$1 billion following strong demand from international investors. Out of this, US\$920 million still remains outstanding. At the time of its issuance, the notes held a 7.5% profit rate per annum— almost 1% higher than the average GCC coupon rate, payable every quarter.

Speaking to Islamic Finance *news* on the eve on Dana Gas' US\$1 billion Sukuk maturity deadline, a Dubai-based industry expert noted that the situation is looking rather bleak for Dana Gas.

"Restructuring is out of the question," he stressed. "The company needs to undergo a liability exercise for a restructuring to occur. This means that they would have had to make an announcement to the

stock exchange in order to alert them, and then receive Sukukholders' consent to the liability exercise, at least 21 days before maturity. The fact that there has been no announcement regarding this pretty much rules out restructuring out of the picture."

"Therefore we are down to two options: full repayment or default."

However Dana Gas' major shareholder, Crescent Petroleum, a state-owned petroleum provider has gone on record stating that they are not going to pump anymore funds into Dana Gas in order to bail the company out. "It is looking extremely negative for Dana Gas as well as the resurgence of the UAE Sukuk market, and the resurgence of the Middle East Islamic finance industry, but most importantly for the UAE credit credibility," he added.

"When Nakheel was not able to make its repayment back in 2009, it negatively impacted the entire Dubai economy. Now we are at a position where we are looking at an incredibly positive turn in relations to Sukuk issuances through the region. We're looking at an upward trend throughout, so the impact of something like this, in which Dana Gas

might default on a US\$1 billion debt is very negative to that upward trend," the industry expert warned. He stressed that Dana Gas's problem is not a question of mismanagement but a case of bad choice in location.

**“It is looking extremely negative for Dana Gas as well as the resurgence of the UAE Sukuk market but most importantly for the UAE credit credibility”**

"Dana Gas' investments are geographically concentrated, and it is concentrated in an unstable location— Egypt, which is experiencing turbulent times economically, financially and politically." — LR

## Egypt on the fast track of Islamic finance development

Egypt is expecting its maiden Sukuk issuance as early as the first quarter of 2013. This comes as an unsurprising development following the appointment of Mohammed Morsi of the Muslim Brotherhood political party as the country's first ever elected president in July this year, who has pledged to fast-track its Islamic finance efforts.

Islamic Finance *news* spoke to Khalil El Bawab, the director of fixed income at EFG-Hermes Egypt, on what the market could expect from this upcoming maiden issuance.

"I believe the government's maiden sovereign Sukuk could reach up to US\$10 billion in size, with the first few tranches issued in the first year to year and half worth US\$5 billion. The papers will have maturities of up to five years, and will probably be a combination of Egyptian pounds as well as US dollars," he said via telephone.

"Right now there is no market for Sukuk yet, as the Islamic bond market is still an emerging market in Egypt, but once the legislations are set, we will definitely see a lot of money coming in."

The government announced in September this year that the new law regulating Sukuk issuances would be issued by the end of 2012.

"Right now, we lack the proper legislations and the professional manpower for further development of the market, but once those have been overcome there is definitely a market for Islamic finance in Egypt."

He noted that the ongoing US\$4.8 billion Shariah compliant financing deal from the International Monetary Fund (IMF) is also expected to increase investors' confidence in the country.

"Investors will not come as long as we

do not have something concrete with the IMF, which the government is working on now. I believe that once the financing package with IMF has been finalized, the investors will be more confident in investing here."

However Khalil notes that even if the IMF deal cannot be finalized, Egypt will still be able to attract funding, although it may be a smaller amount and with relatively high yields.

"The Egyptian Islamic bond market is a market that is expected to grow rapidly. What we have is lack of supply, but we have a lot of demand."

The National Bank of Egypt is currently holding roadshows in Asia for a possible Sukuk issuance; while Barclays Egypt is expected to go forward with its introduction of Islamic banking products soon. — LR

# Hong Kong to take non-religious approach to Islamic finance

The Financial Services Branch of the Financial Services and the Treasury Bureau of Hong Kong has just issued its response to the Sukuk consultation paper issued in March 2012, indicating the republic's interest in exploring the utilization of Hong Kong-based assets to underpin Sukuk issuances. The bureau had received 15 responses from a broad range of stakeholders, including the law society of Hong Kong, tax experts, lawyers and banks.

The paper, entitled: "Proposed Amendments to the Inland Revenue Ordinance (Cap.112) and the Stamp Duty Ordinance (Cap.117) to Facilitate Development of an Islamic Bond Market in Hong Kong" will primarily allow the facilitation of Hong Kong-based assets in a Sukuk issuance, via tax and stamp duty changes, as well as tax bond income which will ensure a level playing field for interest and coupon payments made under Sukuk.

Taking a page out of the UK's approach to Islamic finance, the Hong Kong Treasury Bureau has opted to take a non-religion specific view on the proposed legal changes. Speaking exclusively to Islamic Finance *news*, Davide Barzilai,

partner at Norton Rose revealed: "The key ethos is to create legal changes that are non-religion specific. Although they help Islamic finance, they are not going to include any Shariah terms or Arabic words. They are looking to adapt tax rules in a neutral way; the same way the UK have done it. For example, the word Sukuk will not be used in the legislation, but instead the term 'alternative bond' will be used – similar to the UK."

However, Barzilai warns that the broader and more secular approach taken by the Hong Kong government could potentially provide loopholes in the market for those looking to exploit the tax-saving features of the draft proposal. "In effect, they are talking about making changes specifically to enable Sukuk or these alternative bonds, and they are doing it in a way that all the different types of taxes be removed. On the one hand, it is to enable the Islamic finance market to develop by providing a level playing field, but on the other hand they (the treasury) have to be careful to not give other people or the market advantages that they can utilize to save taxes. There is a balance that has to be had between opening up the market and freely allowing alternative bonds whilst

also making sure people don't abuse the system to their gain."

Bearing in mind the robust property market in Hong Kong at present, Barzilai believes that there will be ample opportunity for property portfolios or individual buildings to underpin a Sukuk instrument. "In broad terms, this will enable all the usual types of Sukuk to be issued, whilst utilizing assets in Hong Kong. At the moment, people can still use Hong Kong as a base to issue Sukuk, but the assets have to be from outside of Hong Kong. Now, the proposal will enable assets located in Hong Kong to be the support for the Sukuk, and this could be property or other business interests or other assets located in the country."

Market players are anticipating the legislation to be ready and introduced as a bill into the legislative council as early as the first quarter of 2013. Barzilai said: "Nobody knows how long the process will take to pass the bill as law, but Hong Kong is a small country, and it is able to do things when it wants to. If it is not a controversial topic and if there is sufficient political will, it can drive things through." ☺ – NH






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## Egypt: Planning its future in Islamic finance

### EGYPT

*By Dr Walid Hegazy, IFN Correspondent*

**Egypt continues its slow but steady steps towards Islamic finance. The government is currently considering a number of laws to provide a legal framework to Islamic finance including Sukuk.**

The conference organized by the Egyptian Islamic Finance Association (EIFA) on the 9<sup>th</sup> September 2012 was a great success. It discussed the role of Islamic finance in Egypt's development and included the participation of the major banks and the government.

In addition, a recent conference focused this year on the re-start of the Egyptian

economy and included a session on Islamic finance. The workshop dealt with questions such as the Egyptian demand for Islamic financial products, the necessary regulatory framework and the clarity of the current legal system.

Panelists included Dr Mohamed Albeltagi, CEO of EIFA; Dr Hussein Hamed Hassan, a Shariah scholar; Dr Walid Hegazy, the secretary general of EIFA and the managing partner of Hegazy and Associates; and Dr Ahmed El Naggar, the head of the Islamic Finance Committee of the Freedom and Justice Party (FJP).

On a similar note, another conference was held on the 8<sup>th</sup> October on sovereign Sukuk and development in Egypt,

organized by Citigroup. It dealt with the challenges and opportunities of structuring, developing and distributing Sukuk. This conference was framed on the ongoing debate over Egypt's plans to issue its first Sukuk.

In this context, the EIFA is currently working with the majority party, FJP, on the drafting of a Sukuk law, which will most likely be issued before the end of 2012 through a presidential decree. ☺

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## Africa leads global innovation in banking

### SOUTH AFRICA

*By Amman Muhammad, IFN Correspondent*

**On the 9<sup>th</sup> October 2012 at the BAI Retail Delivery retail banking conference in Washington DC, BAI and Infosys conferred the most innovative banks in the world with the 2012 BAI — Finacle Global Banking Innovation Awards.**

This global awards program recognizes and supports innovation in the retail banking industry. The winning financial institutions were chosen from more than 150 entries from over 30 countries for breakthrough innovations that positively impact banks and their customers. What captured my attention was the 'Most Innovative Bank in the World' category. Based on my reading the winner was selected based on the following qualifying criteria: market insights, existing and emerging consumer preferences, a culture of innovation which includes an innovation framework and/or processes that are supported by all levels of leadership, an ongoing commitment to innovation and the advancement of retail banking.

It was with a great deal of pride when we heard that a South African bank had won the award, and an even greater sense of satisfaction prevailed when it was confirmed that our very own bank, First National Bank (FNB), was named as winner of this prestigious overall award

to honour its culture of innovation and advancement of retail banking. Amongst other countries, FNB operates across eight countries in Africa.

"Our list of innovation goes across borders. Effectively, every employee can be an innovator and can change the way we conduct business. This is an inversion of the historical top-down application of corporate strategies. With the concept of innovation we have created far-reaching ethos of creativity and we can see colleagues across Africa and India applying themselves to their jobs with a heightened sense of insight and innovation," said Michael Jordaan, the CEO of FNB.

This award drove home the relevance of innovation in the African Islamic banking industry. Too often, the subject of innovation in Islamic banking circles refers to product and product development, sometimes at the expense of customer satisfaction. My recent travels, this year alone, have taken me from Cape to Cairo and what is glaring is that a large proportion of African financial institutions offering Islamic financial solutions are almost entirely 'product' led. Product has become a fixation to the exclusion of many a key driver in holistic banking strategies. While a Shariah compliant product may define the parameters of this niche banking segment, other determining

factors also help to shape the customer's selection of financial institution.

The African consumer is being exposed to world-beating banking innovation. The typical African banking customer is discerning in his selection of a financial institution and will make his ultimate selection based on a number of key criteria. While price and Shariah compliance hold significance in eventual selection, decisive factors like loyalty programs and rewards now sway his final decision.

If Islamic banking is to succeed on the African continent, significant due consideration is required in respect of the plight of the Islamic banking customer. As Islamic banks we are forced to be dynamic in our approach to innovation. We are compelled to go to the heart of the matter and effect complete metamorphosis in our outlook and shift from product lead strategies to customer lead ones.

We need to measure how our innovation leads to customer satisfaction and builds a foundation of loyalty, never under estimating the significance of the market we serve and ultimate impact that innovation has on our businesses. ☺

*Amman Muhammad is the CEO of FNB Islamic finance. He can be contacted at [amuhammad@fnbwealth.co.za](mailto:amuhammad@fnbwealth.co.za).*



## Jordan: New Sukuk law passed

### JORDAN

By Khaled Saqqaf, IFN Correspondent

**The Jordanian house of representatives recently ratified the Sukuk law.**

**According to this law, Sukuk shall be tradable at the stock exchange and their owners shall have all rights, obligations and actions as decided by the Shariah concept. Furthermore, the following entities are permitted to issue Islamic trust certificates (Sukuk) directly or through a special purpose company established for this purpose:**

- The government.
- Legal or public bodies after obtaining the Council of Ministers approval.
- Islamic banks.
- Companies offering Islamic financial services.
- Companies and associations gaining the approval of the securities commission.

Additionally, the law has provided that Sukuk shall be issued in the Jordanian dinar or any other foreign currencies notwithstanding the provisions of enforceable regulations.

The law has provided for a number of forms through which the Sukuk could be issued. These include the following:

- Leasing.
- Mudarabah.
- Murabahah.
- Musharakah.
- Alsilm.
- Al Istisnah.
- Sale of the right for benefits.
- Any other contract the commission approves of.

Moreover, it is important to note that the law has provided for the following exemptions in relation to any special purpose companies which are established

for the purpose of owning assets which may have Sukuk issued for the same:

- All fees, including companies' registration and licensing fees.
- The prior payment of the share capital of the company prior to the registration.
- Property sale tax and fees pertinent to lands registration applications conducted between the special purpose company and the entity which established it upon the transfer of its title or performing any actions amongst each other.
- All taxes and fees relating to registration of assets and benefits conducted between the company and the entity which established it upon the transfer of its title or performing any actions amongst each other.☺

*Khaled Saqqaf is a partner at Al Tamimi & Company. He can be contacted at K.Saqqaf@tamimi.com.*

## New economic challenges in Europe: The necessity of Islamic finance

### FRANCE

By Kader Merbough, IFN Correspondent

**The Islamic Economic Institute of King Abdul Aziz University in Saudi Arabia, in collaboration with the National School of Insurance, recently organized a conference on Takaful with the participation of international speaker Dr Malaikah, CEO of Salama, who highlighted the fact that the Takaful industry suffers a lack of human resources in the presence of more than 100 attendees.**

At this conference Syed Datuk Othman Alhabshi, the dean of INCEIF, underlined the need for better regulation of the Takaful industry.

A day after this conference came the third workshop on Islamic finance, held in Paris on the 11<sup>th</sup> October, in which two of the developers of Islamic finance products in France (Life Takaful), discussed and debated the future of Islamic finance in France and the two links that Islamic finance has to reinforce. First of all: improving the development of products attached to renewable energies industry; and secondly a better correlation with

SMEs within each country. This debate concluded that there is need of a better understanding of Takaful products and gave an overview, just two months after the launching of these products.

The Euromed Management Business School, FEMISE and OCEMO and CMI have been focusing on discussing the new challenges with regards to the partnership between south European countries such as France and Spain with North African countries such as Morocco and Algeria.

The cultural gap approach between Europe and North Africa and the misunderstanding of the new needs of the countries of North Africa and the emergency of the economic situation will surely push these countries to emancipate from the Eurozone and find new economic partnerships in Southeast Asia and the GCC.☺

*Kader Merbough is the co-head of the executive master of the Islamic finance, Paris-Dauphine University. He can be contacted at kader.merbough@dauphine.fr.*



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# Strategic shifts or is there more to come?

UAE

By Moinuddin Malim, IFN Correspondent

Change is the only constant. While Islamic banking in the UAE has grown from strength to strength in this new millennium, it has also faced shockwaves that have made the industry pause for a while. One such factor was the announcement of HSBC's decision to retrench its Islamic retail offering from various markets, including the UAE. One of the most successful stories amongst the various international banks who entered the Islamic banking and finance arena, HSBC Amanah gained significant market respectability by launching inaugural Sukuk in Malaysia, Qatar and the UAE and working closely with local Islamic banks.

The commitment towards Islamic banking by international multinational banks cannot be questioned; however, the limitations on their ability to expand and grow organically or inorganically have pushed them to revisit their strategic thrust and to divert their focus to jurisdictions where open market policies and competition dictate the survival of the fittest.

HSBC Amanah will be missed by their retail customers. However, with seven fully licensed Islamic banks (with Dubai Bank and Emirates Islamic Bank being merged), 12 Islamic windows of conventional banks including a few international banks, 12 Islamic finance companies and 10 Takaful companies, these customers can easily find a bank which meets their criteria.

While Islamic banking will continue with full force, the decision by one big bank may cause some effect with regards to other International banks who offer Islamic banking services. It will, however, not impact the Islamic banking market in the UAE as the market share of HSBC Amanah retail outfit was not as significant as other international banks. The retreat of HSBC is more in retail banking where, especially in the UAE, international banks are only allowed to operate eight branches; which gives them no competitive edge with domestic banks which on average operate over 40-50 branches. Obviously, the bank must have looked at the strength and cost income ratios in each business segments it

operates and the decision must have been based on some logical conclusion.

Today, every conventional lender — domestic as well as international — with significant presence in consumer banking has an Islamic offering. Therefore, one does not simply have to bank with a pure Islamic bank alone. As a matter of fact, conventional banks with Islamic windows are working much harder to retain their customers and prevent them from moving their business to pure Islamic banks.

The Islamic arm of the National Bank of Abu Dhabi has announced an aggressive plan to expand its Islamic operations, which comes as welcome news. While the pricing of most Islamic consumer products in comparison with conventional is the same, the name of the game is service quality, which needs to be measured in terms of pre- and post sales servicing, turnaround time, knowledge base, simplified and standardized processes and documents, trained Islamic banking sales team, transparency, clear disclosures and Shariah compliance at all levels. Anyone who can deliver all these

**Conventional banks with Islamic windows are working much harder to retain their customers and prevent them from moving their business to pure Islamic banks**

will gain market share, whether a pure Islamic bank or an Islamic window of a conventional bank. ☺

Moinuddin Malim is the CEO of Mashreq Al Islami. He can be contacted at [MoinuddinM@mashreqalislami.com](mailto:MoinuddinM@mashreqalislami.com).

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# Noble Group's US\$982 million multi-currency Sukuk Murabahah program

Hong Kong-based Noble Group is a global supply-chain manager listed on the Singapore Exchange and incorporated in Bermuda. The company issued a multi-currency Sukuk Murabahah on the 16<sup>th</sup> October 2012 in with a tenor of up to 20 years, to be utilized for general corporate purposes which are in line with Shariah investing principals.

**“The company's robust risk management profile has also enabled it to remain profitable amid the economic downturn, noted RAM Ratings”**

The Sukuk, which is rated 'AA2' by RAM, will not be listed; and is tradable with restrictions. The ratings according to RAM are based on Noble's position as one of the leading global bulk commodity supply-chain providers. Its portfolio includes grains and oilseeds, sugar, coffee, coal, oil, gas, power and metals.

## Sale and Assets

The identified assets for the transaction

comprise of Shariah compliant commodities (excluding Ribawi items in the category of medium of exchange such as currency, gold and silver) which are provided through the commodity trading platform, Bursa Suq Al-Sila', based in Malaysia.

The Sukuk Murabahah and the transaction documents are governed by the laws of Malaysia, and in terms of tax, all payments by the issuer with respect to the Sukuk shall be made in full without any withholding or deductions for, or on account of, any present or future tax, duty or charge of imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions; unless such withholding or deduction is required by law.

## Bright prospects

The paper's ratings are based on the issuer's solid liquidity position and financial flexibility. As at the end of the first half of 2012, the group's ratio on cash and readily marketable inventories to short-term debts stood at 3.32 times, and the firm possessed up to US\$2 billion in unencumbered property and equipment.

The company's robust risk management profile has also enabled it to remain profitable amid the economic downturn, noted RAM Ratings, and there have been fairly minimal impairments - less than 2% on average over the last five years - in the group's trade receivables. Although the group's financial performance is subject to changes in commodity prices, it is partly mitigated by the group's largely hedged product portfolio. ☺ — EB

## Noble Group US\$982 million multi-currency Sukuk Murabahah program

US\$982 million



16<sup>th</sup> October 2012

Issuer and obligor	Noble Group
Issuance amount	Up to RM3 billion (US\$982 million)
Tenor	20 years
Profit/ coupon/ rental rate	In respect of Sukuk Murabahah issued with periodic profit payment, the profit rate shall be determined and agreed on prior to each issuance of the Sukuk Murabahah.
Payment	Semi-annual
Currency	Multi-currency
Joint principal advisors, lead arrangers	AmInvestment Bank, Standard Chartered Saadiq (SCSB)
Legal advisors	Zaid Ibrahim & Co. and Adnan Sundra & Low
Shariah advisors	Dr Mohd Daud Bakar and SCSB Shariah Committee
Trustee	Deutsche Trustees Malaysia
Rating	'AA2' by RAM
Structure / instrument	Murabahah
Listing	Not to be listed

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# Private equity and venture capital partnerships in the US

ARSHAD AHMED examines the differences between Islamic finance and private equity in the US

As a teacher of Islamic finance and private equity who educates advanced students at UC Berkeley and UC Hastings in San Francisco, I am often asked about the differences and similarities between Islamic finance and private equity. Considering that so few of the investments categorized as being within the contemporary Islamic banking and finance (CIBF) industry are legitimately private equity, one may be excused for believing the differences to be stark.

Yet, since the time in the mid-twentieth century when theoreticians started mentioning contemporary Islamic finance, the springboard for that discussion has typically been profit and loss sharing (PLS), sometimes referred to as profit and risk sharing. As one Berkeley student of Islamic finance wrote, the pioneers of mid-century Islamic economics “envisioned and sought to create on earth, equity financing based on the principle of PLS”, which “was to replace debt financing as the primary means of channeling capital to productive enterprise”.

Proponents of PLS linked it to the Prophet Muhammad’s vision that wealthy Muslims should invest it productively to expand the local community’s welfare, rather than simply extracting rents regardless of the success or failure of the underlying ventures. By this logic, the financial capitalist should participate in a venture’s risk. If the venture succeeds, the investor should profit accordingly, but if the venture fails, the investor should shoulder part of the loss.

According to its proponents, the PLS system has systemic benefits. PLS investors are, at least in theory, more likely than a bank to fund promising investors who have innovative ideas and strong managerial skills but lack a robust credit history. They are also more likely to take interest in the running of the venture, and possibly, depending on the contract’s structure, a management role.

## History

The establishment of the first private equity/venture capital (PE/VC) limited

partnerships in the US dates back to the mid-twentieth century. This model for PE/VC investing is the most successful globally. This model has been refined over the years, most critically throughout the 1970s and 1980s.

**“The Muslim world is disconnected from the global epicenter in Silicon Valley to such a severe degree that market forces alone will not correct the Muslim world’s private equity gap”**

Venture capital means investing equity in small and medium-sized enterprises that may be at seed, early or middle stages of development. Private equity, however, is a much broader term: it means investments in the equity of an enterprise of any size and at any stage, so long as the enterprise is non-public. By that definition, private equity subsumes venture capital. However, in common parlance one might hear professionals when referring to private equity mean investments in more mature, later stage companies; if it is a minority investment it is called growth equity, whereas if it is a majority investment, it is called a buyout. In turn, a buyout may be a leveraged buyout (LBO) if the equity sponsor is facilitated in paying for their investment by stacking the enterprise with debt. It may be a management buyout (MBO) in the event the enterprise’s executive management plays

a significant role in acquiring a majority stake in the enterprise.

Islamic financiers, including Shariah board members, agree that PE/VC when undertaken without leverage — i.e., venture capital and growth equity — constitutes Mudarabah as classically formulated. One sees in the relationship between the provider of capital and the enterprise which receives it, so many of the hallmarks of those caravan ventures that harken back to the days of yore.

Since the late 1990s proponents, particularly those in the US, have argued that the potential is huge for PE/VC within the contemporary Islamic banking and finance industry. One of the key reasons is resources: there are many Muslim entrepreneurs living in my backyard — Silicon Valley — who have sought, received and made good on PE/VC funding. These folks are available to be mobilized as resources, and we are doing exactly that at Elixir Capital. Recently the Malaysian sovereign fund responsible for venture capital investing in Malaysia approached us about helping them and their portfolio companies break out of the Malaysian orbit, and penetrate and/or scale into new market opportunities. Its board selected Elixir Capital’s new Straits Fund as its partner to receive an anchor commitment, with the aim being to bridge the emerging Malaysian ecosystem with that of Silicon Valley.

These PE/VC opportunities — the entrepreneurial talent and their enterprises — cannot be molded to meet the mindset of bankers who seek guarantees and look for fixed income. Instead, these opportunities thrive on profit and risk sharing. The standard global model of PE/VC is that once a hurdle return is achieved on an individual investment, the gain is apportioned 80/20 between the equity financing source and the PE/VC manager. There is typically a fee equal to 2% annually of the total commitment. This is the model we have chosen to use at Elixir Capital. There can be little doubt as to

*continued...*

*Continued*

its Halal bias since its very origin comes from Islamic antiquity.

Academicians have emphasized in at least one study the importance of taking a bottom-up approach when investing in PE/VC, showing that top-quartile should be considered only with certain caveats in mind, and implying, consequently, that first-time funds should be considered in investors' bottom-up analyses. In contrast, modern asset allocations tend to utilize a top-down approach, resulting in allocations to PE/VC in the 20-30% range.

This allocation range has worked successfully for many noteworthy institutions such as the endowments of Stanford University and Harvard University, respectively. Most sophisticated asset allocation happens using a blended approach: top-down and bottom-up. Yet, in the contemporary Islamic finance and banking world, approaches to asset allocation are rarely spoken of. The asset class focused on by the CIBF industry is fixed income, followed by real estate. Public equities and cash also enjoy allocations, although seldom seen is any significant allocation to PE/VC — sometimes categorized as alternative assets. Sukuk and capital-guaranteed products enjoy strong uptake in the Muslim world, and Islamic bankers continue to call for progress in product development toward shorting, derivatives, and synthetics.

The fundamental difference between PE/VC and Islamic banking is that no return is guaranteed in the world of private equity. There is neither fixed income, nor capital guarantee. Risk is borne proportionately. In this way it looks more like a Mudarabah, and as many of my graduate and professional students would argue after a semester of coursework, more Islamic.

As one juris doctor candidate, a former accountant, remarked: "Throughout the course, I asked myself why the contemporary Islamic banking and finance industry equated Riba as interest, yet created financial instruments with implied interest rates. Why did they not simply maintain what they were already practicing, by contending that all interest is not Riba?

"The answer as to why the CIBF industry must equate Riba to interest lies in what

it has at stake. Hundreds of billions of dollars that can be amassed by these 'innovative' bankers and Shariah 'experts' are riding on this definition. If Riba was not interest, then practicing Muslims could use western instruments like mortgages and conventional loans. However, the CIBF industry has defined Riba in a way that allows the industry to tap into an 'untapped' market, creating inefficient transactions that increase transaction costs and lead to increased prices that are purchased by Muslim consumers. Conventional banks are willing and even eager to do business with Muslims and Islamic banks because the economic substance of these products is the same, but under a different name."

By 2007-08, when upheaval occurred on the global financial scene, the CIBF industry had already become part and parcel of mainstream financial capitalism. An American academician commented that this trend "was driven primarily by a desire on the part of global financial institutions to tap the wealth of the Islamic world, as opposed to a genuine admiration for the merits of Islamic finance, let alone as part of the quest for an alternative form of finance".

While bankers in the Islamic world directed their attention to crafting Islamic financial products that mimicked conventional banking products, a very different way of innovation and creating value has gripped the San Francisco Bay Area. Silicon Valley — a region just outside of the city of San Francisco — was built on the back of a partnership structure derived from Islamic antiquity. Venture capitalists and entrepreneurs need not recognize this is the case, but those concerned with Islamic finance ought to know. Significantly greater enterprise value has been created over the last two decades in Silicon Valley than in the entire continent of Europe, not to mention the Muslim world.

Islamic bankers have pursued the goals of capital accumulation, rather than resource mobilization. Silicon Valley excels at resource mobilization, and serves as its global epicenter for technology businesses of all types, including ecommerce, social media and mobile technology. In Silicon Valley, it is the venture capitalist's job to know as many of the right people as possible and help them as much as possible. If we

contribute positively to the ecosystem, then the community will reward us for our value and entrepreneurs will want to do business with us.

For us, it is all about the ecosystem. The Malaysian sovereign investor whose board elected to anchor our upcoming Malaysia/Indonesia focused venture fund realized this truth. In Halal markets worldwide, there are two persistent, huge, and exploitable gaps: scarcity of knowledge and lack of smart capital. The CIBF industry has largely ignored this gap. While the Malaysian government has effected policies to address this problem, investors in Malaysia and elsewhere in the Muslim world now understand that success will follow from bridging with Silicon Valley rather than ignoring it or trying to recreate it.

The Muslim world is disconnected from the global epicenter in Silicon Valley to such a severe degree that market forces alone will not correct the Muslim world's private equity gap. Knowledge and connections to the American market, particularly in relation to technology, is important for success. Talent necessary to scale small and medium enterprises still resides primarily in the US.

When launching Elixir Capital, my colleagues and I realized that building an effective PE/VC firm to serve Muslim markets requires the combination of four skill sets which are very difficult to find in one place: (1) significant PE/VC experience, (2) deep roots in the Silicon Valley ecosystem, (3) appropriate operating backgrounds, and (4) a history of collaborating effectively with professionals and entrepreneurial talent in both the Muslim world and outside of it.

## Conclusion

With the advent of Elixir Capital and other PE/VC firms able to build bridges between Silicon Valley and parts of the Muslim world, all excuses can be erased for Islamic financial institutions' avoidance of this critical asset class, and the US' once and future contribution to an authentic Islamic finance may yet begin to emerge. (2)

*Arshad Ahmed is the managing director of Elixir Capital. He can be contacted at arshad.ahmed@elixircap.com.*

# Islamic wealth management

ALI SHERVANI discusses how Islamic wealth management services provide answers to key questions in the minds of the average person in today's world.

**The Muslim population of 1.9 billion across 112 countries is under lot of attention because of its growing economic contribution to the global economy. Muslim countries have seen their per capita income rise in the past couple of years. This has led to growth in lot of industries catering to the requirements of Muslim community.**

Islamic banking has expanded to become a distinctive and fast-growing segment of international banking and capital markets. Islamic banks aim to address the needs of new segments by creating a range of Islamically acceptable products, the development of which pose significant challenges arising from the need for Shariah compliance in addition to regulatory complexities.

The recent financial turmoil in the conventional finance industry is acting as a catalyst for growth of Islamic finance industry. Muslims have not always been close to the concept of wealth management and financial planning though the stress on planning and managing finances is very high under the Islamic laws. Islamic wealth management encompasses wealth creation, investment and distribution; and there is clear emphasis on planning and managing the wealth through Halal processes.

Islam promotes free trade and allows its followers to lead a good life by earning a Halal income and investing the same in accordance with Shariah. Shariah laws prohibit a Muslim from creating wealth through Riba (interest), Maysir (gambling), Gharar (uncertainty) or any other prohibited acts like pornography, brewery etc. Islam allows trade and commerce and it promotes the same but prohibits its followers from accumulating wealth through wrongful means.

## Islamic wealth management

Islamic wealth management services can be divided into the following:

- Wealth creation/ accumulation.
- Investment of wealth/ preservation.
- Wealth distribution.

*Wealth creation/accumulation*

Wealth creation or accumulation is

very much part of the Islamic principle provided fair and just means have been utilized to achieve the purpose.

### *Investment of wealth/ preservation*

Wealth created needs to be invested in a Shariah compliant manner as the hoarding of wealth is not acceptable in Islam. The said wealth needs to be ploughed back into the economic system by providing enough for any future exigencies and also for the economic growth of the high net worth individual (HNI)s' respective countries. Islam allows the taking of risk factors under consideration while executing a financial plan.

### *Wealth distribution*

The Islamic economic system promotes business and trade activities urging Muslims to do business in a Shariah compliant manner and when wealth is generated and accumulated, the Shariah laws also make it mandatory for Muslims to take care of their social responsibilities. Zakat is obligatory on certain items and has its own fixed and prescribed method of calculation, and charity must also be done by affluent Muslims to keep the money flowing into the hands of people who are economically weaker and cannot meet their obligations, or who require money for medical treatment, education, etc.

Financial planning under Islamic finance can produce results in areas where conventional financial planning fails; and incorporates social responsibility even when executing financial planning for individuals and their family members.

Financial management also promotes discipline in families towards the money earmarked for them as inheritors and it allows them to plan their future acts in accordance.

Islamic wealth management services will help not only the clients of Islamic financial institutions but also contribute significantly towards social development by channelling philanthropic efforts towards institutionalized development schemes. The whole process of wealth management services offered by the Islamic finance industry is also done under the guidance and approval of Shariah scholars to ensure adherence

towards the various provisions of Shariah law. Shariah scholars play an important part in any services that are offered by any Islamic financial institution.

## Conclusion

In today's volatile and uncertain economic environment it is all the more imperative to have professional financial planning for wealth. The current economic scenario makes asset allocation an important tool in the preservation of wealth and this can be achieved through the Islamic wealth management services offered by various Islamic financial institutions.

The institutionalized charity of any large family office will help address some of these concerns. Islamic wealth management services will help HNIs to invest their income in a Halal manner and also help in reducing the risk of doing asset allocation as per the requirements of the changing economic climate.

The availability of Shariah indices across the global markets have also increased the opportunity for various wealth management services to be rolled out, as we all know stocks are one of the main attractions of any investors across the globe. The key market area for Islamic wealth management services is the MENA region. The economic growth in India has also seen the number of affluent Muslims in the region spiral, and these services in India will also provide a huge untapped market for service providers.

This has compelled some of the biggest names in wealth management to open exclusive subsidiaries to cater to Shariah compliant wealth management, with players such as UBS, HSBC Amanah, CitiBank and Standard Chartered-Saadiq all offering these services to Muslim HNIs globally.<sup>(2)</sup>

*Disclaimer: The author does not endorse any product/investment scheme mentioned above; they have been quoted for informational purpose only.*

*Ali M Shervani is country head at Fin8. He can be contacted at ali.shervani@fin8.com.*



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

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

## Applicable Hukum Syara'

It is recalled in Part I that the Pawnbrokers Act, 2002 (PBO) defines 'Hukum Syara' as "the laws of any sects which the court considers valid" and gives the Shariah court exclusive jurisdiction to hear disputes under the PBO. A Shariah judge may face difficulty with regards to choice of laws hearing a dispute under the PBO.

The Syariah Courts Act, Cap. 84 (SCA) provides that: "If any conflict or doubt arises when interpreting any word or expression relating to Hukum Syara', the meaning of such word or expression shall be decided according to the accepted views (Qaul Muktamad) of the Mazhab Shafie." [New section 2(3) SCA] (Prior to 2005, the original wordings of section 2(3) of the SCA were "If any conflict or doubt arises when interpreting any word or expression relating to Hukum Syara', it shall be the discretion of the Shariah courts to decide the meaning of such word or expression.")

Admittedly, this gave the Shariah judge latitude and was consonant (albeit not identical) with the provisions of the PBO. With the deliberate amendment from judicial discretion to specification of the Mazhab Shafie, it is not clear whether the intention of the legislation is to re-emphasize the preference of the Mazhab Shafie in judicial proceedings.

Given that under the SCA the Shariah Court is obligated to interpret Hukum Syara' according to Qaul Muktamad of Mazhab Shafie (and leaving out Qaul da'if of the same sect) whereas under the PBO a Shariah judge has the unbounded latitude to determine an issue according to "the laws of any sects which the court considers valid", this creates a strain on language since the question which a Shariah court judge must decide is whether the judge sitting in a Shariah court is constrained by the restriction placed on him by the SCA or enjoys the freedom afforded by the PBO deciding a pawnbroking dispute.

Having said that, the Islamic Family Order 2002 of Brunei has identical

provision to the PBO and it appears that the Shariah courts have little difficulty in applying whichever of the four Madzhabs it deems appropriate; although it is not clear whether this was before or after the 2005 amendment to the SCA and what effects the 2005 amendment by specification was intended to have.

***“The SFSB are guardians of Islamic law on Islamic banking, but who watches over the conduct of the SFSB Board?”***

## Justiciability and ascertainment of Islamic laws

The SFSB Board is endowed with "the authority for the ascertainment of the laws of Islam" for purposes of Islamic banking businesses and others. It appears that the words "ascertainment of the laws of Islam" accord wide powers to the SFSB Board to make Hukum based on Maslahah where existing Ahkam is against public interest (Maslahah) or where no such guidance exists in Madzhabs. This can be categorized as subsidiary rule-making powers.

An issue that arises is whether a civil court (which presently has jurisdiction to hear Islamic banking disputes) in Brunei has the jurisdiction or would be willing to entertain questions on whether the SFSB Board may have (i) exceeded the authority conferred upon it by the SFSB Order, ie., acted ultra vires its powers, (ii) or, simply did not act in accordance with the strict requirements of the SFSB Order. It is not doubted that the SFSB

is composed of human agents and can make errors.

The SFSB members are guardians of Islamic law on Islamic banking, but who watches over the conduct of the SFSB Board? The remedies of the Judicial Review have been abolished in Brunei since 2004 and this could arguably mean that the decisions of the SFSB Board are non-justiciable in law.

However, non-justiciability of a decision of the SFSB Board properly made in accordance with law (which cannot be challenged in court) is different from an ultra vires act. An 'ultra vires' act means the SFSB Board exercised a power which it did not originally have and consequently, it acted in an unauthorized manner. The civil courts in Brunei have not had the opportunity to consider this issue under the relevant legislations.

Presently the civil courts in Brunei have shown a distinct disinclination to (a) hear any issues on Islamic law, and (b) consider the validity of Islamic banking products pre-approved by the SFSB Board.

A decision of the SFSB Board is treated as sacrosanct and is unimpeachable. Two issues arise here: Firstly, that a challenge on the validity of a SFSB board decision on grounds of ultra vires is not a challenge on the discretion and opinion made by the SFSB board per se, which it is entitled to make under the SFSB Order; and secondly, from an Islamic law perspective, it is arguable that if a decision made by the SFSB Board is contrary to divine law, it cannot be considered valid. Where does the customer-defendant go to have recourse in these circumstances?

## Right to be heard

Islam respects the right of all aggrieved persons, whether facing judicial punishment or other judicial pronouncements which may be against his interest, to be heard prior

*continued...*

Continued

to judgment. The SFSB Order does not confer any right to a customer-defendant the right to address the SFSB on any questions of Islamic law.

Section 4(2) SFSB Order gives this right to an Islamic banking institution: "Every financial institution may consult the board on Shariah matters relating to Islamic banking business, Takaful business, Islamic financial business, Islamic development financial business and any other business which is based on Shariah principles." It also grants access to the civil court which "may refer such question to the authority for a ruling from the board". [Section 17 SFSB Order]

The issue here is what recourse the common man has when sued by an Islamic institution were he to have genuine concerns on issues relating to Islamic law?

Presently, the civil courts will not hear him on Shariah issues and he has

no recourse to the SFSB Board for a ruling on points of Shariah law. This omission could be to prevent a 'flood' of questions being put to the SFSB Board and 'constraining' the limited facilities of the SFSB board by questions from defendants which may be of little value, including inevitably, those which may have genuine value. In any event, one would be forgiven to suggest that a body that decided on a matter previously would be hard pressed to rule differently next time round.

## Possibilities

We consider if the composition of the board were to change the next time round. If a modified composition of the SFSB Board no longer agrees with its previous decision for various reasons and considers its previous decision wrong in law, will the newly composed board be bound by its previous decision or is bound to correct the error? Is the board bound by the decisions of its predecessors (probably, the answer is

'no')? The answers to these questions can only be decided by legislation or by the courts.

If these scenarios can happen, should a defendant have the same right to address an issue to the board for resolution, other body or in the civil courts, so that if there is an error made it can be quickly correct. This places the desire for certainty in the law versus sanctity of divine laws in conflict. The fact that a defendant-customer may be insufficiently endowed with knowledge in matters usually reserved for more learned scholars is not the same thing as not affording a right of recourse to an aggrieved party with a genuine issue. The board may have lost the opportunity to hear and consider alternative views and to guard against error. (2)

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## The new precious

### Cover Story

**September proved to be a good month for commodities as the overall markets improved due to the additional quantitative easing measures implemented in the US as well as the stimulus measures taken by central banks worldwide.**

Analysts note that the US Federal Reserve has launched several initiatives including pledging to buy US\$40 billion in mortgage securities per month and keeping the extension of Operation Twist in place until employment improves significantly; as well as extending low interest rate guidance to mid-2015. These measures have fueled commodity prices and investors with this asset class in their portfolios are reaping the benefits.

In the category of precious metals, gold has surprisingly not been the best performer. Instead this has been the year for silver. Once regarded as gold's less attractive cousin, the white metal has become the darling metal of 2012, outperforming gold and even platinum to become a commodity to be reckoned with. In January, silver increased its value by 21.05% while in the third quarter it has climbed 35% to make it the top performing commodity during the period. It has been reported that the demand for silver could increase to 7,700 metric tons next year after incurring a 6-8% rise in 2012. This translates to healthy returns for exchange-traded funds (ETFs).

Silver has become a major component used in nearly every electronic device, thus allowing its price to be more resilient in the long-term compared to other industrial commodities, which have suffered from a slowdown in

Latest Monthly Returns (Top 10) — September 2012	
Fund	Performance Measure (%)
DWS Noor Precious Metals Securities — Class A	15.90
ETFS Physical Silver	13.49
Al-Beit Al-Mali	11.79
DSAM Kauthar Gold	11.35
ETFS Physical Platinum	9.91
ETFS Physical PM Basket	9.13
Aman — CIB & Faisal Islamic Bank Mutual	8.34
Sanabel	8.27
Amanah Growth Portfolio	8.26
AmPrecious Metals	8.20

Source:Eurekahedge

demand. This has also made the metal a favorite with investors who have a preference for gold, and has already attracted the country with the largest retail buyers of gold — India — which according to a recent research report sees silver as undervalued with strong upside potential. Gold prices in the country have reached an all-time high due to a weak currency.

This trend is clearly reflected in the Eurekahedge table for monthly returns in September; where commodity funds seem to demonstrate better prospects than other asset classes, dominating the Top 10 funds. Precious metals have benefited from the stimulus measures and gained ground: with the top performing fund being the DWS Noor Precious Metals Securities Fund — Class A, providing a rate of return of nearly 16%. Ironically, this Shariah compliant fund has been one of the poorest performing Shariah compliant funds this year, posting negative returns of 14.69% in March.

Eurekahedge also states that ETFS

Physical Silver was the second-best performing fund in September, providing a monthly return of 13.69% and with yield-to-date returns registering at 22.51% - compensating for the negative returns of 8.45% posted in 2011.

According to a report, non-futures investors (which would include those with a Shariah compliant portfolio) looking to participate in the silver market are advised to invest in ETFs. Currently the most liquid ETFs that track silver prices directly include the ETFS Physical Silver Shares and the iShares Silver Trust.

With many analysts projecting a bullish outlook for silver in the coming years, the metal could perhaps be the commodity that Shariah compliant investors need to finally diversify their portfolios away from gold - which to many is fast losing its glimmer. ☺ — RW

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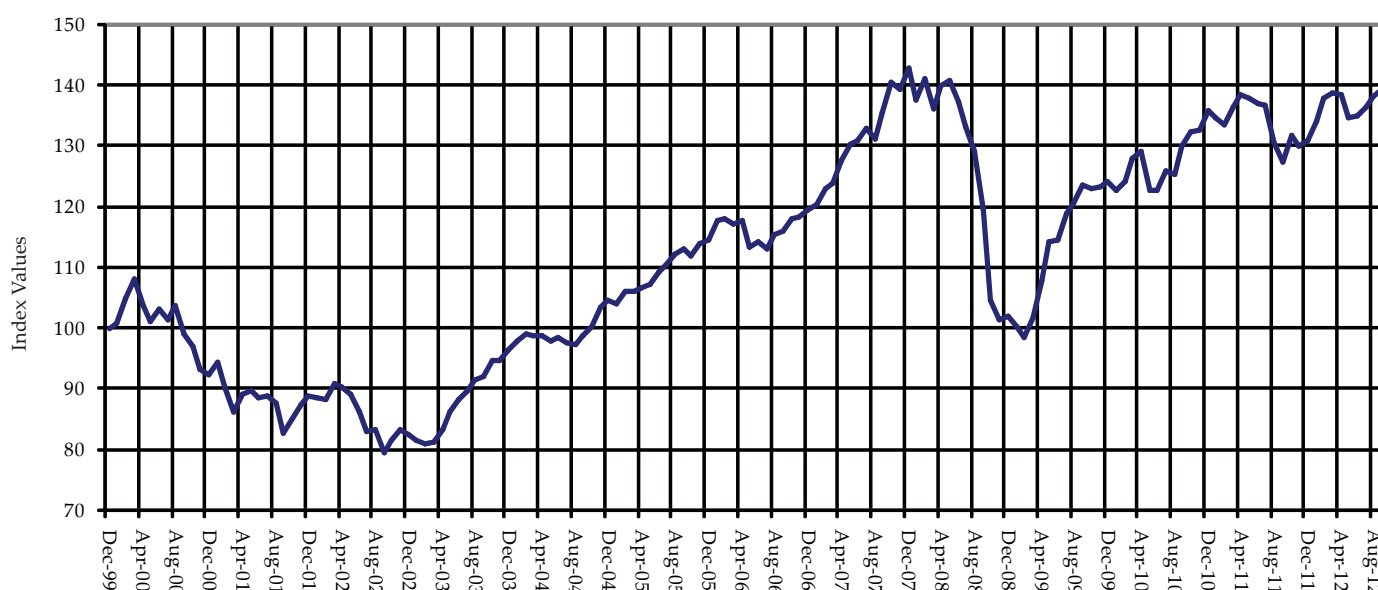
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## Eurekahedge Islamic Fund Index



### 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	49.89	Pakistan
2	JS Islamic	JS Investments	49.68	Pakistan
3	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	37.59	Pakistan
4	Aman Fund - CIB & Faisal Islamic Bank Mutual	Commercial International Asset Management	33.51	Egypt
5	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	33.15	Egypt
6	Sanabel	HC Securities & Investment	32.02	Egypt
7	Al Baraka	Hermes Fund Management	31.19	Egypt
8	Al-Hadharah Boustead REIT	MIMB Investment Bank	27.92	Malaysia
9	Al-'Aqar KPJ REIT	AmMerchant Bank	26.09	Malaysia
10	Meezan Balanced	Al Meezan Investment Management	25.32	Pakistan
	<b>Eurekahedge Islamic Fund Index</b>		<b>6.63</b>	

Based on 91.60% of funds which have reported September 2012 returns as at 30<sup>th</sup> October 2012

### Top 10 Sharpe Ratio for ALL Islamic Funds since Inception

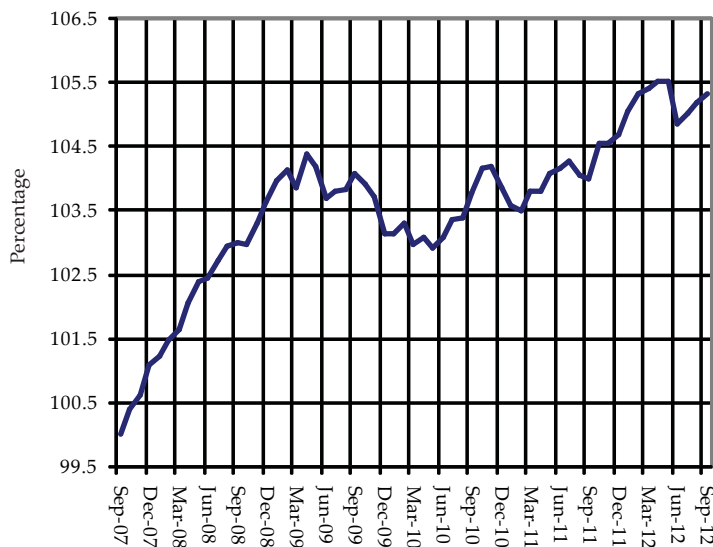
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	10.40	Pakistan
2	BIG Dana Muamalah	Bhakti Asset Management	5.69	Indonesia
3	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	5.00	Pakistan
4	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	4.93	Pakistan
5	Public Islamic Money Market	Public Mutual	3.86	Malaysia
6	SR International Trade Finance - (Al Sunbula)	Samba Financial Group	3.29	Saudi Arabia
7	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	2.98	Saudi Arabia
8	USD International Trade Finance - (Al Sunbula)	Samba Financial Group	2.86	Saudi Arabia
9	PB Islamic Cash Management	Public Mutual	2.83	Malaysia
10	Commodity Trading - SAR	Riyad Bank	2.70	Saudi Arabia
	<b>Eurekahedge Islamic Fund Index</b>		<b>0.14</b>	

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

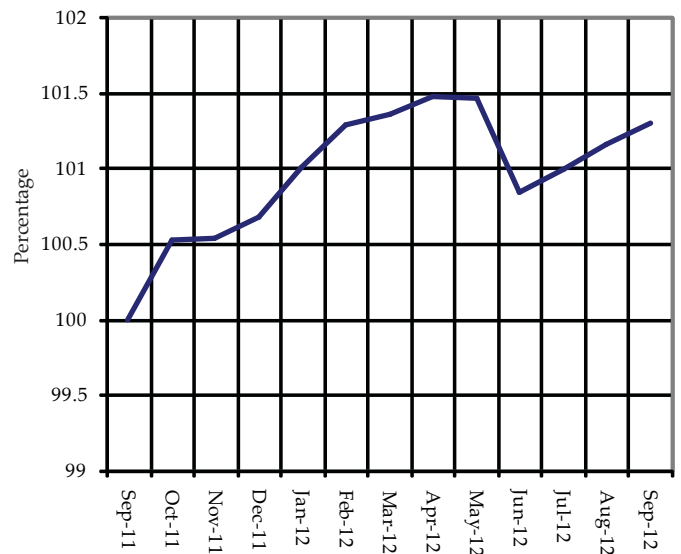
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, 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 Money Market Index over the last 5 years



Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 10 Islamic Money Markets Funds by 3 Months Returns

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	2.41	Pakistan
2 Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	2.36	Pakistan
3 Al Dar Money Market	ADAM	1.98	Kuwait
4 TA Dana Optimix	TA Investment Management	1.74	Malaysia
5 RHB Cash Management - Institutional	RHB Investment Management	0.75	Malaysia
6 MAAKL Al-Ma'mun	MAAKL Mutual	0.71	Malaysia
7 TA Islamic CashPlus	TA Investment Management	0.68	Malaysia
8 Apex Dana Al Kanz	Apex Investment Services	0.67	Malaysia
9 PB Islamic Cash Plus	Public Mutual	0.66	Malaysia
10 Public Islamic Money Market	Public Mutual	0.66	Malaysia
<b>Eurekahedge Global Islamic Fund Index</b>		<b>0.50</b>	

Based on 92.31% of funds which have reported September 2012 returns as at 30<sup>th</sup> October 2012

Top 5 Islamic Commodity Funds by 3 Months Returns

Fund	Fund Manager	Performance Measure	Fund Domicile
1 ETFS Physical Silver	ETFS Metal Securities	27.80	Jersey
2 DWS Noor Precious Metals Securities - Class A	DWS Noor Islamic	20.65	Ireland
3 ETFS Physical Platinum	ETFS Metal Securities	16.66	Jersey
4 ETFS Physical PM Basket	ETFS Metal Securities	16.10	Jersey
5 ETFS Physical Gold	ETFS Metal Securities	11.00	Jersey
<b>Eurekahedge Islamic Fund Index</b>		<b>14.30</b>	

Based on 100% of funds which have reported September 2012 returns as at 30<sup>th</sup> October 2012

## Contact Eurekahedge

To list your fund or update your fund information: [islamicfunds@eurekahedge.com](mailto:islamicfunds@eurekahedge.com)  
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## Diversifying distribution channels

### Cover story

Pos Malaysia, Malaysia's national courier and mail service, expects revenue from its non-mail business to overtake its mail services by 20% come 2017. The company, which currently acts as an agent for eight insurance companies and two Takaful operators has sold 1.4 million motor and non-motor insurance policies over the counter and collected RM170 million (US\$55.68 million) in gross insurance premiums so far. In 2011, traditional mail business contributed 60% or RM800 million (US\$262.1 million) towards Pos Malaysia's total revenue of RM1.2 billion (US\$393.13 million).

On the back of its continued success as an agent for insurance and Takaful products, the company is considering to reduce its dependency on mail business, and instead will look at a more balanced portfolio comprising Takaful and insurance.

The company, which is acting as an agent for two recently launched non-motor insurance products from Etiqa Takaful—

**“ This will also allow the Takaful company to expand its brand presence over Pos Malaysia's 700 branches nationwide ”**

“Takaful Flexi PA” and “Takaful Driver and Passenger PA” is looking to further capitalize on its network in the insurance and financial services sector. This will also allow the Takaful company to expand its brand presence over Pos Malaysia's 700 branches nationwide.

Khalid Abdol Rahman, group CEO of Pos Malaysia said: “We are also looking at how to capitalize on our network, and selling insurance products is one of the

areas that we feel we can do better in the future, as well as offering other financial products. Moving forward, we expect more non-motor insurance products to be sold over the counter but this will take time as the awareness and skill-sets are different.”

Both Takaful Flexi PA and Takaful Driver and Passenger PA have been available since June this year. As of mid-October this year, Pos Malaysia has issued 2,997 policies with a total contribution of RM179,820 (US\$58,912).

This distribution model has proven to be effective in Malaysia, and could potentially be replicated overseas as a means to further drive the Takaful industry and to tap into both the Muslim and non-Muslim consumer market. ☺ — NH

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# The need for a law to govern Takaful in the Maldives

**AISHATH MUNEEZA** believes that improved regulation is vital if the Maldives wants to develop a fully-fledged Takaful industry

The first form of Islamic finance that came to the Maldives was Takaful, when Amana Takaful Maldives began its operations in 2003. It is imperative to note that although Takaful is part of the company's name, the type of license under which it offers Takaful services is a conventional general insurance license. Even after eight years of operations in the Maldives and as the first Shariah compliant listed company in the Maldives Stock Exchange, there is still no specific law in the Maldives to regulate Takaful. This is a major inhibition for the growth of Takaful as an industry in the Maldives, an island with a 100% Muslim population.

When we look at the history of the establishment of Amana Takaful Maldives, it is revealed by Hareez Sulaiman, the managing director of Amana Takaful Maldives, that the main reason why the company did not apply for a Takaful license was because even at the time of application, the Maldivian law did not recognize the difference between a conventional insurance and a Takaful license and to provide Takaful for the 100% Muslim population of the Maldives, the only way was to go forward with the conventional general insurance license.

He also noted that at the time of the application there was also no law to regulate conventional insurance in the country. This strategy used by the company is therefore praiseworthy as the only reason why Maldivians get Takaful services is because of the existence of Amana Takaful Maldives.

The question is how does having no law to regulate Takaful compromise the Shariah compliance of the only Takaful company operating in the country? Hareez explained that after the central bank, the Maldives Monetary Authority, formed its Shariah Advisory Council to facilitate the creation of Islamic banks in the Maldives in 2011, all the products offered by the company were reviewed by the council; which indicates that

Shariah governance is not compromised. Furthermore, he also said that being an Islamic financial institution, the company has its own in-house Shariah Advisory Committee with including both foreign and local scholars. This is a good sign from the company's perspective as this goes some way towards proving that the regulatory authority of insurance industry in the Maldives acknowledges the existence of Takaful in the Maldives.

***“ This strategy used by the company is therefore praiseworthy as the only reason why Maldivians get Takaful services is because of the existence of Amana Takaful Maldives ”***

When enquired about the challenges facing the company in providing Takaful, Hareez identified three main issues. It is said that according to the guidelines on prudential requirements on insurance, every company has to maintain a deposit with the central bank and the remuneration of this is fixed in nature. Hence, being a Takaful operator, returns from these deposits cannot be recognized in the company's book and this will cause an opportunity cost for the company to forgo the investment return.

Another challenge faced is that of taxation. The government recently

introduced the business profit tax (BPT) which is payable by all entities on profit generated. The IFRS being the regulatory accounting framework, the financial statements of the insurance company are prepared according to the set guidelines. Being a Takaful operator, an added complexity in the segregation of the shareholders' fund and policyholders' fund exists. But for presentation purposes both of these funds are consolidated. The dilemma is that based on the presentations, BPT will be applied based on consolidated results, although the profits shown under the policyholders fund do not belong to the operator. It is anticipated that having a Takaful regulatory framework will help the company to pursue this matter with the relevant authorities and apply different schemes to the policyholders' fund or grant exemptions.

The final problem identified by the company is that the investment guidelines for Takaful operators should be spelt out separately considering the nature of their operations. In the Maldives, Islamic finance being in its primitive stage, there are not enough Shariah compliant investment avenues available.

Today, the challenges faced due to lack of governance of Takaful do not only concern the one Takaful company operating in the Maldives. If the Maldives wants to develop a fully-fledged Takaful industry then there is an urgent need to regulate Takaful in the country. A prudential law to govern Takaful is needed, parallel to a coherent Shariah governance framework that could be applied by Takaful operators. This will indeed facilitate the creation of a fully-fledged Takaful industry in the Maldives and encourage new participants to enter the market. (2)

*Aishath Muneeza is the head of Islamic finance at the Capital Market Development Authority. She can be contacted at [muneeza@cnda.gov.mv](mailto:muneeza@cnda.gov.mv).*

## Dr Khawla Al Nobani, managing partner, Dirayah Islamic Financial Advisory Services

Dr Khawla Al-Nobani has over 12 years of experience in the field of Islamic economics in the Gulf, Malaysia and Jordan. She is also a frequent contributing writer with over 500 short articles on different issues of Islamic economics to various newspapers and magazines.

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

My interest in Islamic finance started at the time of writing my MBA thesis on Islamic insurance from the Fiqh point of view in 1995. That was when I noticed that Fiqh Al Muamalat — the base of Islamic finance — was not practiced as it was intended to be on several fronts.

I was able to exercise my passion to develop the Islamic finance industry when I established an Islamic finance division within BDO Jordan. I continued building the business until the beginning of 2012, when we started to operate under a new brand, Dirayah for Islamic Financial Advisory Services, and the journey continues.

### What does your role involve?

My role in Dirayah as the managing partner, and in the community as a member, is to build awareness of the ongoing Islamic finance development process both in theory and in practice. Furthermore, we hold specialized training courses for key players in this sector, where I oversee the development of the courses and work on the development of some other aspects as well.

### What is your greatest achievement to date?

It's difficult to choose from a range of rewarding and inspiring assignments, but I guess what gives me pleasure



today is the launch of the Sukuk Act after considerable efforts here in Jordan. It all started with an idea when I took the initiative to share and learn from the experiences of countries that successfully implemented Sukuk in their markets.

### Which of your products/services deliver the best results?

On a strategic and industry-wide level, our work with the regulators to introduce new or to update existing regulations and legislation has a profound effect at jurisdictional and global levels. Our work with the Jordan regulators on enacting the Sukuk law in Jordan is a typical example of this, where we managed to create a market that did not exist in Jordan for Sukuk, where the benefits are too many to list.

The other dimension is operational and societal, where our training and human capital development work utilizes leverage where each training course or workshop yields benefits to a number of direct beneficiaries. The benefits are also spread at many levels, where they increase awareness and knowledge among stakeholders.

### What are the strengths of your business?

We believe in long-term and sustainable relationships built on mutual trust. We

take care of our clients' business as our business; taking the trust they have placed in us as a serious responsibility. Honest and professional advice is the foundation of our relationship with our client.

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

Dirayah believes that it can make a difference in the global Islamic financial industry with the potential to develop a global strategic plan for the future of this industry. In order to realize its ambitions, Dirayah hires top talent with a combination of academic background and professional expertise.

### What are the obstacles faced in running your business today?

One of the most important obstacles that we face today is the impact of the global financial crisis on the financial business sector, which resulted in severe budget cuts and a much lower propensity to spend on consulting and training services. The other obstacle is the lack of professionals in this important sector. Many see the opportunities in Islamic finance but more effort is needed to build awareness and change the impressions of Islamic finance and its institutions.

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

I forecast a dynamic role for Islamic finance to stimulate the Islamic economy in the long run, while on the short-run it will assume its role — theoretical and practical — as an answer to many economic dilemmas the world faces these days: starting with ethical financial standards and practices and ending by achieving justice facing unemployment and poverty.

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

I would like to see a strategic plan for the industry — short and long-term — and would propose the IDB to be the key player in developing this strategic plan, and become more involved in planning the Islamic finance industry's future.<sup>(5)</sup>

ISSUER	SIZE	DATE ANNOUNCED
Sumberdaya	IDR1 trillion	24 <sup>th</sup> October 2012
MNRB Holding	RM150 million	16 <sup>th</sup> October 2012
Banque Saudi Fransi	SAR2.5 billion	15 <sup>th</sup> October 2012
Edaran SWM	RM1 billion	5 <sup>th</sup> October 2012
International Islamic Liquidity Management Corporation	US\$200 to 500 million	4 <sup>th</sup> October 2012
Turkish Airlines	TBA	4 <sup>th</sup> October 2012
Danainfra Nasional	RM1.5 billion	4 <sup>th</sup> October 2012
Weststar Capital	RM900 million	4 <sup>th</sup> October 2012
Dubai Electricity and Water Authority	AED4.5 billion	3 <sup>rd</sup> October 2012
Tunisia sovereign	TBA	30 <sup>th</sup> September 2012
Bank Asya	TRY150 million	25 <sup>th</sup> September 2012
Qatar Islamic Bank	US\$1.5 billion	16 <sup>th</sup> September 2012
TH Plantation	RM1.5 billion	14 <sup>th</sup> September 2012
Bolton	RM380 million	6 <sup>th</sup> September 2012
HSBC Amanah	RM3 billion	4 <sup>th</sup> September 2012
Sime Darby	US\$1.5 billion	3 <sup>rd</sup> September 2012
Malakoff Corporation	RM1.8 billion	17 <sup>th</sup> August 2012
Putrajaya Holdings	RM3 billion	13 <sup>th</sup> August 2012
Indonesia sovereign	US\$1 billion	10 <sup>th</sup> August 2012
Indonesia sovereign	US\$750 million	10 <sup>th</sup> August 2012
Tanjung Bin Power	RM4.5 billion	7 <sup>th</sup> August 2012
Kuala Lumpur Kepong	RM1 billion	1 <sup>st</sup> August 2012
Kimanis Power	RM1.16 billion	16 <sup>th</sup> July 2012
Syarikat Prasarana Negara	RM4 billion	12 <sup>th</sup> July 2012
Türkiye Finans Katılım Bankası	US\$300 million	9 <sup>th</sup> July 2012
Sudan sovereign	US\$758 million	5 <sup>th</sup> July 2012
South Africa sovereign	TBA	4 <sup>th</sup> July 2012
Indonesia sovereign	IDR500 billion	3 <sup>rd</sup> July 2012
National Treasury South Africa	US\$500 - 700 million	3 <sup>rd</sup> July 2012
Qatar sovereign	US\$4 billion	2 <sup>nd</sup> July 2012
Indosat	IDR300 billion	20 <sup>th</sup> June 2012
Sadara	SAR1.4 billion	13 <sup>th</sup> June 2012
UEM Group	RM2.2 billion	13 <sup>th</sup> June 2012
General Authority of Civil Aviation	TBA	24 <sup>th</sup> May 2012
Morocco sovereign	TBA	23 <sup>rd</sup> May 2012
Amer Group Holding	EGP2.7 billion	14 <sup>th</sup> May 2012
Emirates NBD	US\$500 million	7 <sup>th</sup> May 2012
Epmex	RM1.35 billion	25 <sup>th</sup> April 2012
Noor Islamic Bank	US\$1 billion	19 <sup>th</sup> April 2012
Encorp	RM1.58 billion	18 <sup>th</sup> April 2012
Johor Corp Group	RM3 billion	13 <sup>th</sup> April 2012
Citra Marga	IDR1.2 trillion	12 <sup>th</sup> April 2012
Nakheel	AED240 million	11 <sup>th</sup> April 2012
Development Bank of Kazakhstan	US\$500 million	30 <sup>th</sup> March 2012
Ethical Asset Management	TBA	30 <sup>th</sup> March 2012
National Australia Bank	US\$500 million	29 <sup>th</sup> March 2012
Jebel Ali Free Zone	AED2.4 billion	21 <sup>st</sup> March 2012
Yemen sovereign	US\$232 million	20 <sup>th</sup> March 2012

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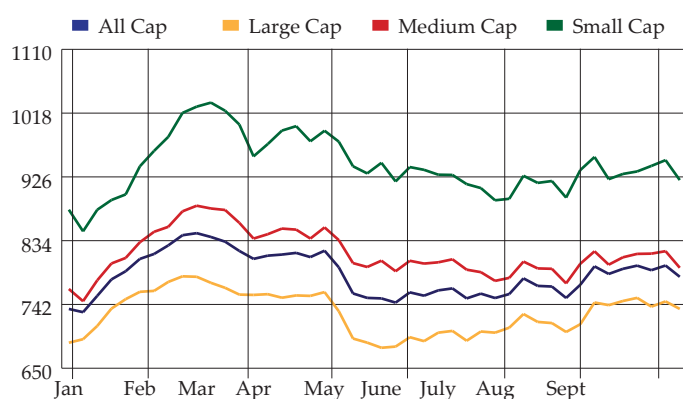
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# SHARIAH INDEXES

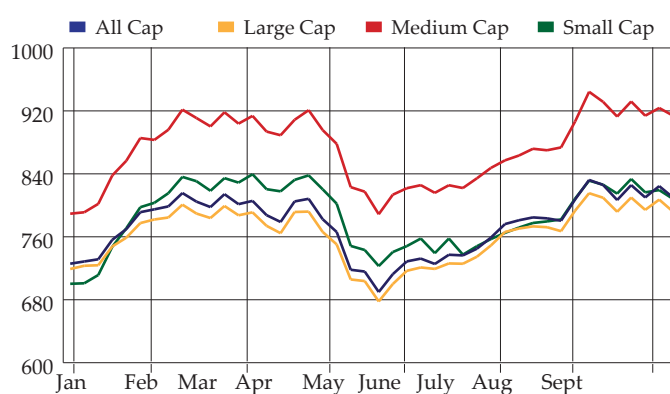
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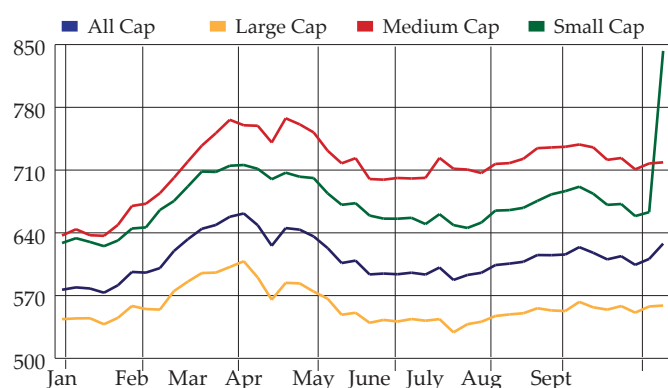
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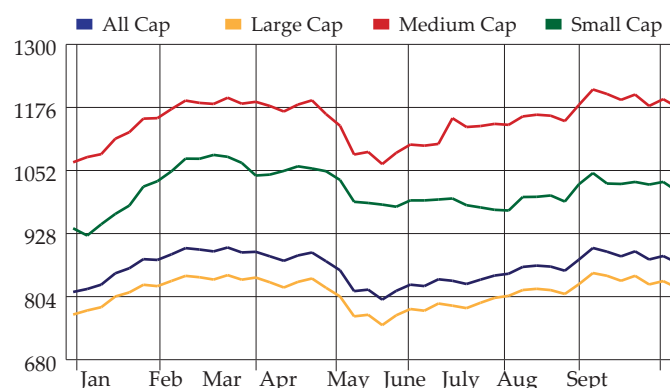
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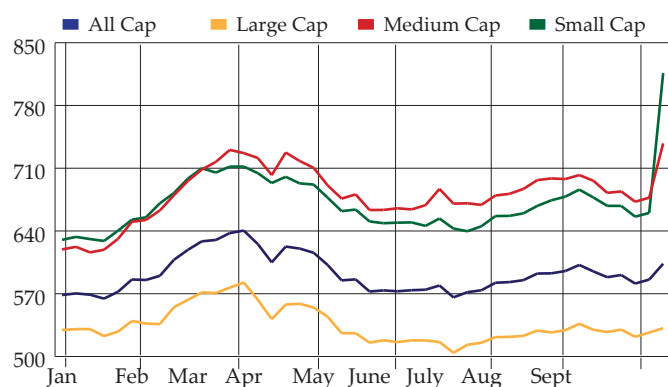
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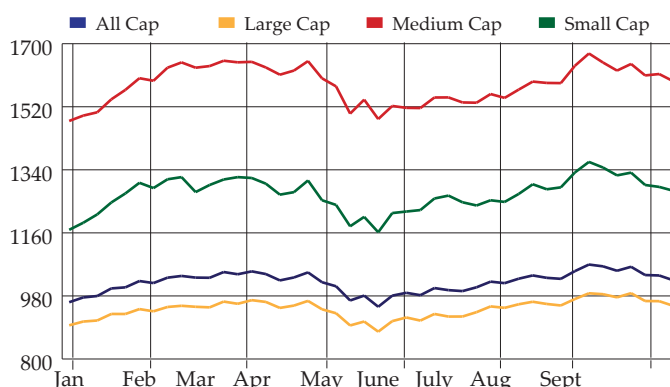
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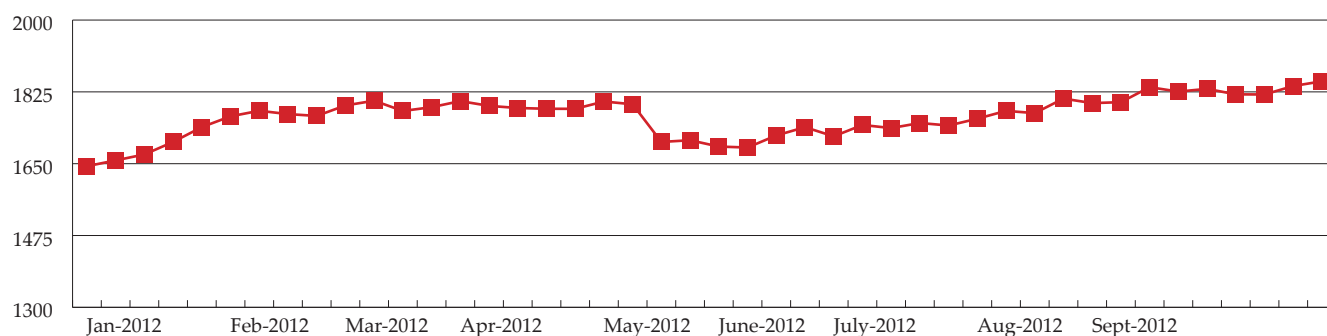
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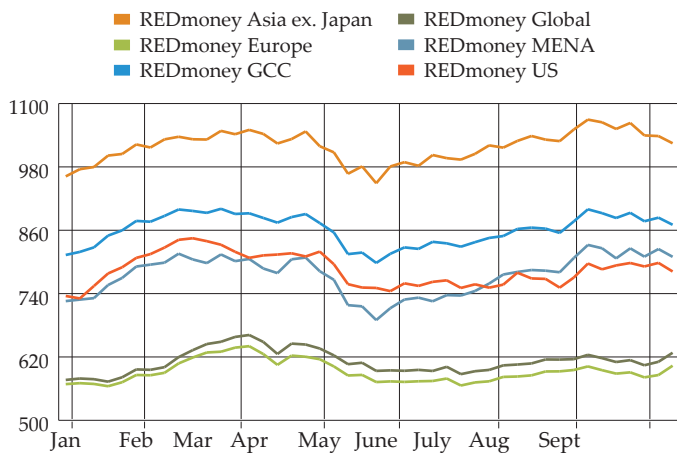
SAMI Halal Food Participation (All Cap)

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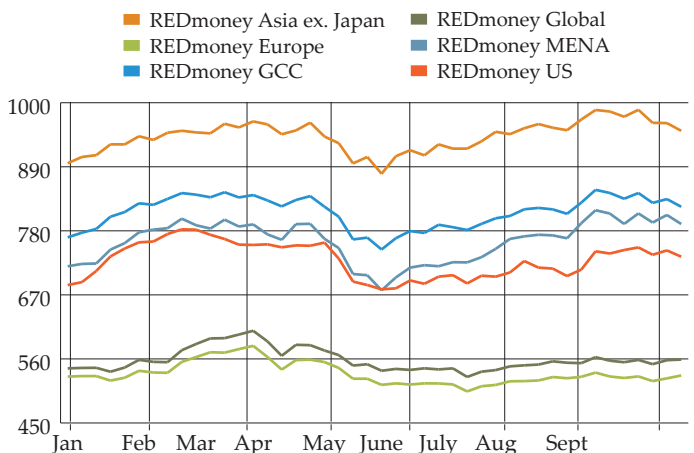


# SHARIAH INDEXES

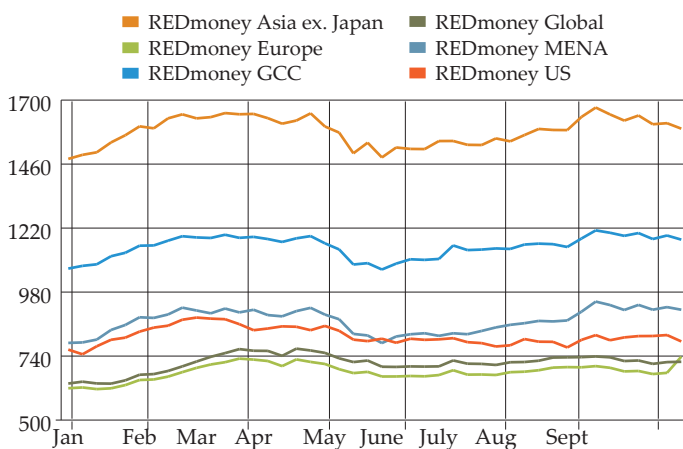
REDmoney Global Shariah Index Series (All Cap) 6 Months



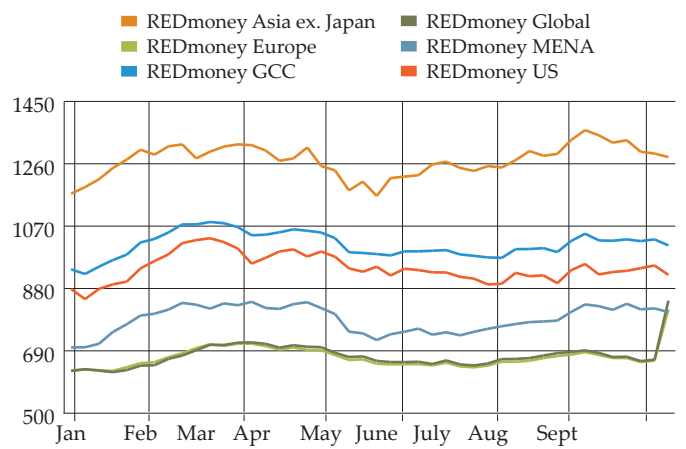
REDmoney Global Shariah Index Series (Large Cap) 6 Months



REDmoney Global Shariah Index Series (Medium Cap) 6 Months



REDmoney Global Shariah Index Series (Small Cap) 6 Months



## REDmoney Global Shariah

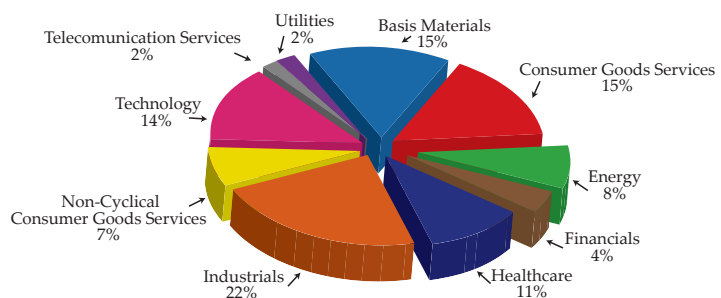
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# LEAGUE TABLES

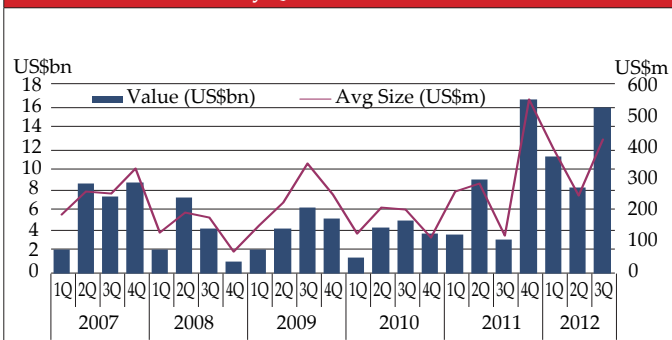
## Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
22 <sup>nd</sup> Oct 2012	Putrajaya Holdings	Malaysia	Sukuk	Domestic market private placement	262	CIMB Group, AmInvestment Bank, Maybank Investment Bank
11 <sup>th</sup> Oct 2012	Qatar International Islamic Bank	Qatar	Sukuk	Euro market public issue	700	Standard Chartered Bank, HSBC, Qatar National Bank
4 <sup>th</sup> Oct 2012	Edaran SWM	Malaysia	Sukuk	Domestic market public issue	245	Hong Leong Bank, CIMB Group
3 <sup>rd</sup> Oct 2012	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest
1 <sup>st</sup> Oct 2012	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	651	CIMB Group, AmInvestment Bank
20 <sup>th</sup> Sep 2012	Republic of Turkey	Turkey	Sukuk	Euro market public issue	1,500	HSBC, Kuwait Finance House, Citigroup
20 <sup>th</sup> Sep 2012	MISC	Malaysia	Sukuk	Domestic market public issue	163	HSBC, CIMB Group, AmInvestment Bank
20 <sup>th</sup> Sep 2012	HSBC Amanah Malaysia	United Kingdom	Sukuk	Domestic market public issue	163	HSBC, AmInvestment Bank, Hong Leong Islamic Bank, Maybank Investment Bank
18 <sup>th</sup> Sep 2012	Malaysian Airline System	Malaysia	Sukuk	Domestic market private placement	165	Maybank Investment Bank
7 <sup>th</sup> Sep 2012	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	321	CIMB Group, Maybank Investment Bank
3 <sup>rd</sup> Sep 2012	Cagamas	Malaysia	Sukuk	Domestic market public issue	160	RHB Capital
29 <sup>th</sup> Aug 2012	Malakoff Corporation	Malaysia	Sukuk	Domestic market private placement	577	Maybank Investment Bank
28 <sup>th</sup> Aug 2012	Syarikat Prasarana Negara	Malaysia	Sukuk Murabahah	Domestic market public issue	644	RHB Capital, Kenanga Investment Bank, CIMB Group
15 <sup>th</sup> Aug 2012	Tanjung Bin Power	Malaysia	Sukuk	Domestic market private placement	1,346	CIMB Group, Maybank Investment Bank
14 <sup>th</sup> Aug 2012	Celcom Transmission (M)	Malaysia	Sukuk Murabahah	Domestic market public issue	1,605	HSBC, CIMB Group, Maybank Investment Bank
10 <sup>th</sup> Aug 2012	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	806	Kenanga Investment Bank, DRB-HICOM, CIMB Group, AmInvestment Bank
9 <sup>th</sup> Aug 2012	Kuala Lumpur Kepong	Malaysia	Sukuk Ijarah	Domestic market public issue	322	CIMB Group, Maybank Investment Bank
1 <sup>st</sup> Aug 2012	SME Bank	Malaysia	Sukuk	Domestic market public issue	159	Kuwait Finance House, AmInvestment Bank, Maybank Investment Bank
19 <sup>th</sup> Jul 2012	Kimanis Power	Malaysia	Sukuk	Domestic market public issue	272	HSBC, CIMB Group
17 <sup>th</sup> Jul 2012	Aman Sukuk	Malaysia	Islamic bond.	Domestic market public issue	260	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank

## Global Sukuk Volume by Month



## Global Sukuk Volume by Quarter





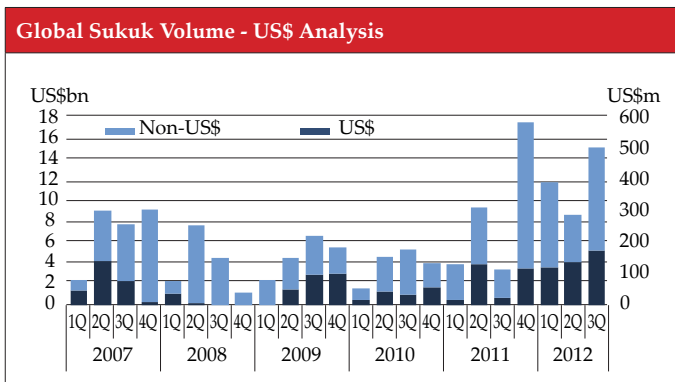
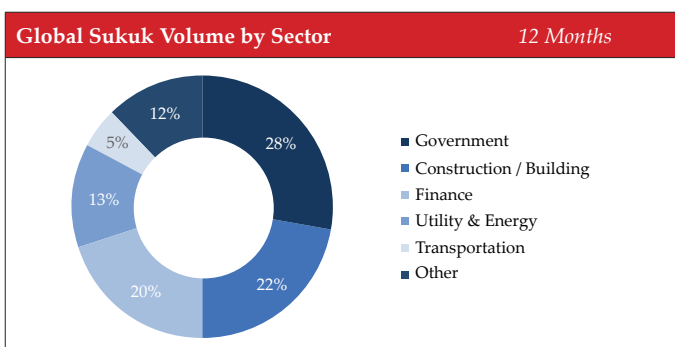
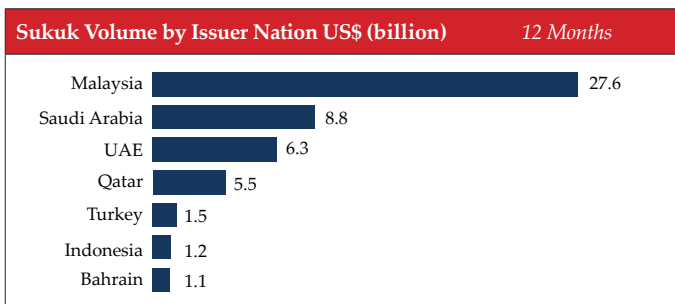
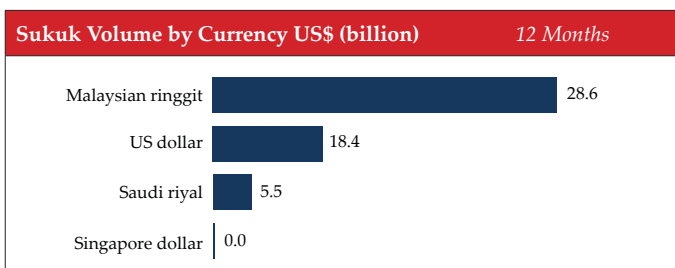
# LEAGUE TABLES

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	18.3	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 National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	1,110	2.1	CIMB Group, Maybank Investment Bank	
10 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	
11 Perusahaan Penerbit SBSN Indonesia II	Indonesia	Sukuk Ijarah	Euro market public issue	1,000	1.9	Standard Chartered Bank, HSBC, Citigroup	
11 EIB Sukuk	UAE	Sukuk	Euro market public issue	1,000	1.9	Standard Chartered Bank, HSBC, RBS, National Bank of Abu Dhabi, Citigroup, Emirates NBD, Dubai Islamic Bank, Credit Agricole	
13 Johor Corporation	Malaysia	Sukuk	Domestic market public issue	939	1.8	CIMB Group, Affin Investment Bank, AmInvestment Bank, Maybank Investment Bank	
14 Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	817	1.6	Maybank Investment Bank	
15 Maxis	Malaysia	Sukuk Musharakah	Domestic market public issue	805	1.5	CIMB Group, Maybank Investment Bank	
16 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	
17 Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	796	1.5	RHB Capital, Kenanga Investment Bank, AmInvestment Bank	
18 ANIH	Malaysia	Sukuk	Domestic market private placement	786	1.5	CIMB Group, Maybank Investment Bank	
19 DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	752	1.4	Lembaga Tabung Haji, RHB Capital, CIMB Group, AmInvestment Bank, Maybank Investment Bank	
20 Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	1.4	Standard Chartered Bank, Deutsche Bank, HSBC, QInvest	
20 Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	750	1.4	Standard Chartered Bank, BNP Paribas, Citigroup	
20 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, Emirates NBD	
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 DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	561	1.1	Maybank Investment Bank	
30 TASNEE	Saudi Arabia	Sukuk	Domestic market private placement	533	1.0	HSBC	
Total				52,615	100		

# LEAGUE TABLES

Top Managers of Sukuk			12 Months	
Manager	US\$ (mln)	Iss	%	
1 HSBC	10,296	28	19.6	
2 Maybank Investment Bank	9,056	41	17.2	
3 CIMB Group	8,352	37	15.9	
4 AmInvestment Bank	4,539	25	8.6	
5 RHB Capital	3,161	33	6.0	
6 Standard Chartered Bank	3,047	19	5.8	
7 Deutsche Bank	2,213	5	4.2	
8 Citigroup	2,130	10	4.1	
9 QInvest	988	2	1.9	
10 Dubai Islamic Bank	868	7	1.7	
11 Barwa Bank	863	2	1.6	
12 National Bank of Abu Dhabi	797	6	1.5	
13 Kenanga Investment Bank	666	4	1.3	
14 Kuwait Finance House	608	4	1.2	
15 Affin Investment Bank	468	4	0.9	
16 Emirates NBD	439	5	0.8	
17 JPMorgan	425	2	0.8	
18 BNP Paribas	410	2	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 Abu Dhabi Islamic Bank	339	4	0.6	
23 Lembaga Tabung Haji	290	3	0.6	
24 Qatar National Bank	233	1	0.4	
25 OCBC	219	4	0.4	
26 Abu Dhabi Commercial Bank	218	2	0.4	
27 Saudi National Commercial Bank	160	1	0.3	
28 Riyadh Bank	153	2	0.3	
29 Bank of America Merrill Lynch	125	1	0.2	
30 RBS	99	2	0.2	
<b>Total</b>	<b>52,615</b>	<b>132</b>	<b>100.0</b>	

Top Islamic Finance Related Project Finance Mandated Lead Arrangers					12 Months
	Mandated Lead Arranger	US\$ (million)	No	%	
1	Public Investment Fund	873	3	8.5	
2	SABB	873	3	8.5	
3	Arab National Bank	722	2	7.0	
4	Samba Financial Group	614	3	6.0	
5	Banque Saudi Fransi	475	2	4.6	
6	Sumitomo Mitsui Financial Group	404	2	3.9	
7	HSBC Holdings	385	2	3.7	
8	KfW Bankengruppe	369	2	3.6	
9	Mitsubishi UFJ Financial Group	360	1	3.5	
10	Standard Chartered	317	3	3.1	



Top Islamic Finance Related Project Financing Legal Advisors Ranking					12 Months
	Legal Advisor	US\$ (million)	No	%	
1	Allen & Overy	4,198	2	25.9	
2	White & Case	3,579	2	22.1	
3	Skadden Arps Slate Meagher & Flom	3,281	1	20.2	
4	Baker Botts	917	1	5.7	
4	Chadbourne & Parke	917	1	5.7	
6	Linklaters	684	2	4.2	
7	Baker & McKenzie	417	2	2.6	
8	Al-Jadaan & Partners Law Firm	386	1	2.4	
8	Clifford Chance	386	1	2.4	
8	Saudilegal	386	1	2.4	

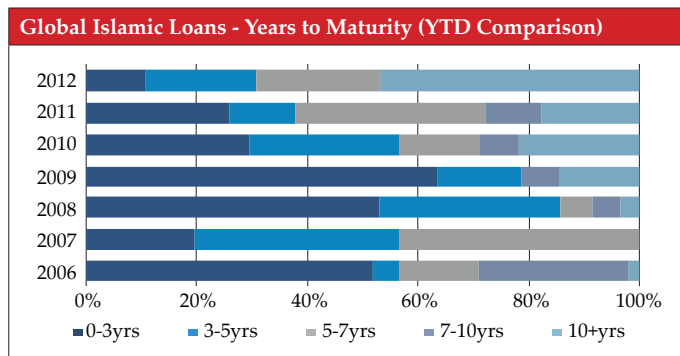
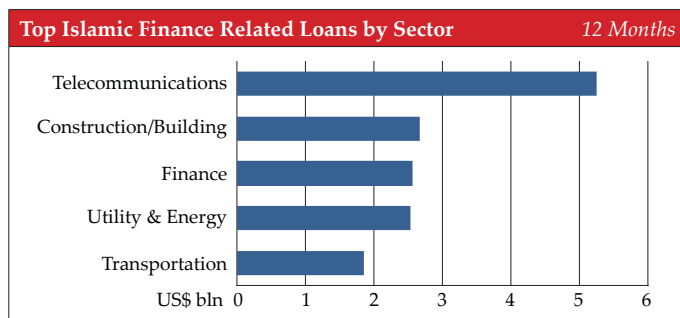
# LEAGUE TABLES

Top Islamic Finance Related Loans Mandated Lead Arrangers Ranking 12 Months				
	Mandated Lead Arranger	US\$ (mln)	No	%
1	SABB	1,684	6	8.6
2	Banque Saudi Fransi	1,232	5	6.3
3	Samba Capital	1,093	5	5.6
4	Al-Rajhi Banking & Investment	1,007	4	5.2
5	Saudi National Commercial Bank	991	5	5.1
6	Arab National Bank	906	3	4.6
7	Maybank Investment Bank	819	5	4.2
8	AmInvestment Bank	704	3	3.6
9	CIMB Group	679	2	3.5
10	Standard Chartered Bank	636	9	3.3
11	RHB Capital	631	1	3.2
12	Emirates NBD	621	6	3.2
13	HSBC	584	6	3.0
14	Noor Islamic Bank	566	7	2.9
15	Saudi Hollandi Bank	538	2	2.8
15	Riyad Bank	538	2	2.8
17	Abu Dhabi Islamic Bank	495	8	2.5
18	Dubai Islamic Bank	487	3	2.5
19	Citigroup	460	5	2.4
20	Barwa Bank	378	3	1.9
21	Standard Bank	289	1	1.5
21	National Bank of Kuwait	289	1	1.5
21	Gulf Bank	289	1	1.5
21	DBS	289	1	1.5
21	Credit Agricole	289	1	1.5
26	Mashreqbank	226	4	1.2
27	Al Hilal Bank	224	6	1.2
28	Qatar Islamic Bank	223	2	1.1
29	Qatar International Islamic Bank	213	1	1.1
29	Masraf Al Rayan	213	1	1.1

Top Islamic Finance Related Loans Mandated Lead Arrangers Ranking 12 Months				
	Bookrunner	US\$ (mln)	No	%
1	Credit Agricole	867	1	11.4
1	Banque Saudi Fransi	867	1	11.4
1	Al-Rajhi Banking & Investment	867	1	11.4
4	QInvest	517	2	6.8
5	HSBC	500	4	6.6
6	Abu Dhabi Islamic Bank	470	5	6.2
7	Emirates NBD	408	4	5.4
8	Standard Chartered Bank	399	6	5.3
9	Citigroup	390	4	5.1
10	Noor Islamic Bank	330	3	4.3

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

Top Islamic Finance Related Loans by Country 12 Months				
	Nationality	US\$ (mln)	No	%
1	Saudi Arabia	9,291	7	47.6
2	UAE	3,461	8	17.8
3	Malaysia	3,035	5	15.6
4	Qatar	1,317	2	6.8
5	Turkey	1,256	5	6.4
6	Sri Lanka	350	2	1.8
7	Pakistan	233	6	1.2
8	Singapore	207	1	1.1
9	Indonesia	183	4	0.9
10	Brunei Darussalam	170	1	0.9



## Are your deals listed here?

If you feel that the information within these tables is inaccurate, you may contact the following directly:

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30<sup>th</sup> – 31<sup>st</sup> October 2012  
**IFN Europe Forum 2012**  
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6<sup>th</sup> – 7<sup>th</sup> November 2012  
**Islamic Banking Summit: Africa**  
 Djibouti, Africa (*MEGA Events*)

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

20<sup>th</sup> November 2012  
**IFN Roadshow Bangladesh**  
 Dhaka, Bangladesh (*REDmoney Events*)

20<sup>th</sup> – 21<sup>st</sup> November 2012  
**International Islamic Accounting and Finance Conference 2012**  
 Kuala Lumpur, Malaysia  
 (*Accounting Research Institute*)

23<sup>rd</sup> November 2012  
**IFN Roadshow Thailand**  
 Bangkok, Thailand (*REDmoney Events*)

27<sup>th</sup> – 28<sup>th</sup> November 2012  
**2012 International Real Estate Finance (IREF) Summit**  
 London, UK (*ICG Events*)

3<sup>rd</sup> December 2012  
**IFN Roadshow Brunei**  
 Brunei (*REDmoney events*)  
 3<sup>rd</sup> December 2012  
**Alpha Asia 2012**  
 Singapore (*All Events Group*)

3<sup>rd</sup> – 4<sup>th</sup> December 2012  
**AAOIFI World Bank Annual Conference on Islamic Banking and Finance**  
 Manama, Bahrain (*AAOIFI*)

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

6<sup>th</sup> December 2012  
**IFN Roadshow Turkey**  
 Istanbul, Turkey (*REDmoney events*)

8<sup>th</sup> – 10<sup>th</sup> December 2012  
**Global Islamic Microfinance Forum**  
 Dubai, UAE (*Al Huda CIBE*)

9<sup>th</sup> – 11<sup>th</sup> December 2012  
**The 19<sup>th</sup> Annual World Islamic Banking Conference**  
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