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IFN World Cup 2018:
The beautiful game

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As the 21st FIFA World Cup kicks off, we are delighted to launch the first-ever IFN World Cup, a light-hearted contest to accompany the 2018 cup final stages — pitting country against country in a battle based on finance, not football. Who will emerge the winner in a competition that values Shariah compliance over sporting prowess, bond issuance over ball skills, Takaful over tackling and regulations over referees? Follow us as we take you on a nail-biting journey to determine the 2018 IFN World Cup winner for Islamic finance!

The IFN World Cup adheres to a straightforward methodology following the original World Cup groups (see Box A). The first stage represents the group stage, where eight groups of four battle it out based on a simple points system (see Box B). The top two teams from each group will advance to the knockout stage, where the final 16 countries will compete in a single-elimination-style tournament (see Box C).

The eight winning countries move to the quarterfinals, followed by the last four to the semifinals, while we will also have a third-place play-off between the two losing teams of the semifinals.

In the final decisive match, the two top countries for Islamic finance will compete for the IFN World Cup crown and all its attending glory.

At the end of the IFN World Cup final tournament, a number of specific honors will also be awarded to the teams that have been distinguished from the rest in different aspects of the game, including:

The IFN Fair Play Trophy: To the country IFN deems to be most influential in promoting the rule of law and fair, impartial judgment in the treatment of Islamic finance.

The IFN Golden Boot Award: To the country that has made the most progress in Islamic finance over the last four years.

The IFN Golden Glove Award: To the country with the most robust attitude toward the governance of Islamic finance.

So without further ado, let's blow the whistle to start the first match! Get ready to see some fancy footwork…

Box A: IFN World Cup group stage

Group A	Group B	Group C	Group D	Group E	Group F	Group G	Group H
Russia	Portugal	France	Argentina	Brazil	Germany	Belgium	Poland
Saudi Arabia	Spain	Australia	Iceland	Switzerland	Mexico	Panama	Senegal
Egypt	Morocco	Peru	Croatia	Costa Rica	Sweden	Tunisia	Colombia
Uruguay	Iran	Denmark	Nigeria	Serbia	Republic of Korea	England	Japan

Source: FIFA

Box B: IFN World Cup points system

1. Islamic Banking Framework = 2 points for a comprehensive legislated framework, 1 point for specific laws facilitating/supporting/incentivizing Islamic banking and/or Sukuk
2. Central Shariah Board (either a national board or central regulation) = 1 point
3. Previously issued sovereign Sukuk = 1 point
4. Corporate Sukuk issuance or wholesale Islamic financing= 1 point
5. Fully-fledged Islamic bank(s) = 1 point
6. Islamic window(s) = 2 points
7. Islamic products offered by overseas banks, representative offices or subsidiaries = 1 point
8. Domiciled Shariah compliant fund(s) or asset manager(s) = 1 point
9. Takaful provider(s) (both windows and fully-fledged) = 1 point
10. Member of IFSB = 1 point
11. Member of AAOIFI = 1 point
12. Member of IDB = 1 point

Total: 14 points

Should a draw occur in the knockout stage, the winner will be determined by a three-shot penalty shootout, based on:
1. Number of Islamic banks in the country (1 point).
2. Volume of sovereign Sukuk issuance in 2017 (1 point).
3. Volume of corporate Sukuk issuance in 2017 (1 point).

Should any matches still result in a draw, the qualifying countries will be determined by a value judgment based on:
1. Government support.
2. Overall Islamic financial activity.
3. Events or conferences held in the country that demonstrate an interest in the Islamic finance industry.

Group A

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Saudi Arabia*	1	0	1	1	1	2	1	1	1	1	1	1	**12**
Egypt*	1	0	0	1	1	2	1	1	1	1	1	1	**11**
Russia	1	0	0	1	0	0	1	0	1	0	0	0	**4**
Uruguay	0	0	0	0	0	0	0	0	0	0	0	0	**0**

** Advance to knockout stage*

The first match of the competition, and what a contest to kick us off! Unsurprisingly the outlier, Uruguay, was knocked out early on with null points. However, the final three contenders all put up an impressive fight with strengths in multiple areas.

Russia came in third place with four points — in no small part due to the material steps forward the country has recently taken on the regulatory front. Although there is not yet a legislated Islamic banking framework, the Advisory Council on Islamic finance legislation of the State Duma Committee on Economic, Policy, Industry, Innovative Development and Entrepreneurship created a special working program for 2017-18, aiming to incorporate Islamic finance in the country's legal infrastructure and to revise Russian legal acts to accommodate Islamic finance. The Participation Banking Working Group of the Central Bank of Russia (CBR) is working on a roadmap for Islamic finance, expected to be adopted for 2018-19. And the Partnership Banking Center, Russia's first financial institution established upon Islamic banking principles, started operations in March 2016 in Kazan as a subsidiary of Tatagroprombank. Also notable was the small test Sukuk facility from SPV Sukuk Invest in 2017, which issued a technical RUB1 million (US$15,980.4) Sukuk paper, privately placed to one investor and accepted and registered by the CBR.

But the main event was of course the battle between Islamic banking giant Saudi Arabia and long-standing stalwart Egypt, the acknowledged birthplace of Islamic finance back in 1963. Although Saudi Arabia came out slightly ahead in the first round due to its recent success in the sovereign Sukuk space, both countries have well-established Islamic banking and finance industries including strong Takaful offerings and active membership in industry bodies, which should make for an interesting showing in the knockout stage. But who will make it through to the finals?

Group B

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Iran*	2	1	1	1	1	0	1	1	1	1	0	1	**11**
Morocco*	2	1	0	1	0	2	1	0	0	1	0	1	**9**
Spain	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Portugal	0	0	0	0	0	0	0	0	0	0	0	0	**0**

** Advance to knockout stage*

Group B was another two-horse race, with European contenders Spain and Portugal dropping out early to leave Iran and Morocco fighting it out between them. It must be noted, however, that Spain has in fact demonstrated interest in developing its Islamic finance industry — although no products or services are yet available in the country, several of its leading academic institutions offer Islamic finance courses, while the Saudi-Spanish Center for Islamic Economics and Finance is a successful collaboration between the Islamic Economics Institute at King Abdulaziz University in Jeddah and IE Business School that has been running since 2009.

In the final fight, Morocco and Iran slugged it out between them. Morocco edged ahead due to its formalized central Shariah board, but Iran benefited from its active Sukuk market and its fully-fledged Islamic banks — Morocco, despite granting eight licenses in 2017, is only home to windows and subsidiaries with no stand-alone bank yet launching in the country. Nor does Morocco yet have an active Takaful market, which also lost it points. But how will Iran fare against the more established markets it is bound to come up against in the next round?

Group C

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Australia*	1	0	0	1	0	2	1	1	1	0	0	0	**7**
France*	1	0	0	0	0	2	1	1	1	0	1	0	**7**
Denmark	0	0	0	0	0	0	1	0	0	0	0	0	**1**
Peru	0	0	0	0	0	0	0	0	0	0	0	0	**0**

** Advance to knockout stage*

Group C brought in some surprising results, with darkhorse Australia and quiet contender France drawing on points and easily knocking out Peru and Denmark — although it should be noted that Denmark did in fact pioneer an interest-free banking concept as early as 1931, which has since developed into a fully-fledged community banking concept in Sweden.

France, one of the most active European countries in the industry after the UK, achieved a solid seven points, driven in part by its voluntary adoption of AAOIFI principles.

Australia also made a good showing. In May 2016, the Australian government under its 2016-17 budget made recommendations to ensure equal tax treatment for asset-backed financing, thus facilitating Shariah compliant transactions in the country. These changes, expected to be effective by July 2018, contributed to its stellar performance, while its strong asset management industry, Shariah compliant superannuation funds and growing financing sector saw it draw neck and neck with France.

In a penalty shootout between the two countries, and taking into account Islamic finance activity, experience, inward investment and government support, Australia takes the title for its active funds industry and government support from a regulatory perspective.

Group D

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Nigeria*	2	1	1	0	1	2	1	1	1	1	0	1	**12**
Argentina*	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Iceland	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Croatia	0	0	0	0	0	0	0	0	0	0	0	0	**0**

** Advance to knockout stage*

There was an obvious winner for Group D, with Nigeria knocking it out of the stadia with a total of 14 out of 16 points — one of the highest scores of the competition. Nigeria may be a relatively new entrant to formal Islamic finance, but the country has worked hard to put itself on the map, and that work has paid off. Guidelines for Islamic financial institutions were released in 2011, and in 2017 the Central Bank of Nigeria issued several further Islamic banking-related regulations including for Shariah microfinance banks. The country issued its first sovereign Sukuk in 2017, and since then its industry has gone from strength to strength.

This group was challenging because the other three players have limited to non-existent Islamic finance capabilities. Although there were rumors some years ago of an Islamic bank entrant to the Croatian market nothing has so far materialized, while Iceland has no activity to speak of. In this situation, Argentina wins on a technicality — although its Islamic finance qualifications are limited, there have been a few points to note here and there. The IDB funded a school project in Argentina, and the country has one of the largest Muslim minorities in South America, home to around a million Muslims. With a vibrant Halal industry in the region, Argentina looks to provide potentially more fertile ground than its competitors in the group, and therefore proceeds to the next stage.

Group E

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Switzerland*	0	0	0	0	0	0	1	1	1	0	0	0	**3**
Brazil*	0	0	0	0	0	0	1	1	0	0	0	0	**2**
Costa Rica	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Serbia	0	0	0	0	0	0	0	0	0	0	0	0	**0**

** Advance to knockout stage*

Switzerland was the clear winner out of a group of largely dormant markets for Islamic finance in Group E, predominantly because of its large wealth management industry which plays home to many of the world's leading private banks and asset managers and therefore inevitably attracts the attention of wealth Muslim asset holders. But it is not just the big international players that host Islamic windows — Switzerland also has a slice of the Islamic insurance pie, with players such as Zurich Insurance and Swiss Re marking their territory in the Takaful space. Second to Switzerland comes Brazil, which has carved out a small niche for itself in the Islamic finance field due to its massive Halal beef industry, which has acted as the catalyst for a handful of Shariah compliant financings and funding activity. But can these bit-players hold their own in the knockout stages?

Group F

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Germany*	0	0	1	0	1	0	1	0	1	1	0	0	**5**
Rep. Korea*	0	0	0	1	0	0	1	0	0	1	0	0	**3**
Mexico	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Sweden	0	0	0	0	0	0	0	0	0	0	0	0	**0**

** Advance to knockout stage*

Germany was the standout of this set, primarily due to the launch in 2015 of KT Bank, the first fully-fledged bank in the country. Saxony Anhalt was of course one of the earliest Sukuk issuers, and although the issuance officially counts only as a quasi, its influence is such that in this instance we will allow it as a sovereign point. FWU Group has long been a stalwart of the Takaful scene and its membership of the IFSB brings the country an additional point. The second country to qualify is the Republic of Korea, although in this case much of the activity has so far taken part outside of the country itself which limits its domestic standing. In 2016, Korea's Woori Bank made its first transaction with an Islamic bank, lending US$10 million to Qatar Islamic Bank through its Bahrain branch, which could open up the market further for Korean players. Bank of Korea also recently became an associate member of the IFSB, in another mark in favor of its burgeoning Islamic finance prowess.

Group G

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
England*	0	0	1	1	1	2	1	1	1	1	1	0	**10**
Tunisia*	2	0	0	0	1	0	1	1	1	1	0	1	**8**
Belgium	0	0	0	0	0	0	1	1	0	0	0	0	**2**
Panama	0	0	0	0	0	0	0	0	0	0	0	0	**0**

** Advance to knockout stage*

Group G presented an interesting battle, with a Muslim-majority country relatively new to the global scene fighting it out with a well-known Muslim-minority country with a long track record in Islamic finance. In the end, England pipped Tunisia at the post, due in large part to its sovereign Sukuk issuance, along with an active Islamic fund industry and voluntary adoption of AAOIFI standards. By contrast, Tunisia has a specific Islamic banking framework it initiated three years ago, along with a separate legislative framework for Takaful. State-backed stand-alone Islamic banks and an active microfinance sector add to its appeal. But who will come out on top in the knockout round?

Group H

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Senegal*	1	0	1	1	1	2	1	1	1	1	0	1	**11**
Japan*	1	0	0	1	0	0	1	1	1	1	0	0	**6**
Poland	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Colombia	0	0	0	0	0	0	0	0	0	0	0	0	**0**

** Advance to knockout stage*

In the final group stage, we saw newcomer Senegal go head to head with a handful of low-activity players and come out strongly on top. While Senegal does not have a dedicated Islamic finance and banking law, the Central Bank of West African States is working on introducing an Islamic finance regulatory framework for WAEMU member states that is expected to come into effect in 2018. Senegal has twice tapped the Sukuk market for a sovereign issuance, while upcoming regulations are expected to pave the way for further entrants to the banking market, which already has three active players.

The runner-up in this round was Japan — which, like Korea, has a limited domestic market but whose banks are active overseas, carving out a substantial niche for themselves especially with regards to Islamic commercial and syndicated financing. In fact, despite not having a comprehensive Islamic finance framework, Japan has shown itself to be committed to facilitating Shariah compliant financial transactions — both at home and abroad. In 2008, the government passed a law allowing subsidiaries of banks to extend Islamic products, while in 2012, legal and tax frameworks for Sukuk were also created by the Financial Services Agency of Japan.

At the request of Japanese financial institutions, in April 2015 the government amended the Comprehensive Guidelines for Supervision of Major Banks and Comprehensive Guidelines for Supervision of Regional Financial Institutions, which saw banks include Islamic banking services as part of their product suite.

The next stage

So where are we now? We have whittled the playing field down from 32 candidates to just 16, and the next stage is the knockout round where the strongest two players from each group will face each other in a series of matches following the FIFA World Cup framework. There are some fantastic contests coming up where Morocco face up to Saudi Arabia, England take on Japan and Iran tackle Egypt, to name just a few. The full list of knockout matches can be found in Box C.

Box C: Knockout stage matches

The IFN World Cup knockout stage matches follow the same structure and framework as the FIFA World Cup 2018 knockout matches.

1. Australia (Winner Group C) vs Argentina (Runner-up Group D)
2. Saudi Arabia (Winner Group A) vs Morocco (Runner-up Group B)
3. Iran (Winner Group B) vs Egypt (Runner-up Group A)
4. Nigeria (Winner Group D) vs France (Runner-up Group C)
5. Switzerland (Winner Group E) vs Rep. Korea (Runner-up Group F)
6. Tunisia (Winner Group G) vs Japan (Runner-up Group H)
7. Germany (Winner Group F) vs Brazil (Runner-up Group E)
8. Senegal (Winner Group H) vs England (Runner-up Group G)

Quarterfinals
Winner of Match 2 vs Winner of Match 1 (Match 9)
Winner of Match 5 vs Winner of Match 6 (Match 10)
Winner of Match 7 vs Winner of Match 8 (Match 11)
Winner of Match 3 vs Winner of Match 4 (Match 12)

Semifinals
Winner of Match 9 vs Winner of Match 10 (Match 13)
Winner of Match 12 vs Winner of Match 11 (Match 14)

Final
Winner of Match 13 vs Winner of Match 14

Source: FIFA/IFN

IFN World Cup: The knockout stage

As our journey climbs ever further into the giddy heights of Islamic finance achievement. From the nail-biting excitement of the 32-strong group stage, we now move on to the nerve-wracking suspense of the knockout stage. Previously, we separated the wheat from the chaff, the men from the boys and the strong from the weak.

And with a strong field of 16 serious contenders ready and waiting to kick off, this time things are about to get serious. Who will win, who will lose and who will make it through to the next round?

The IFN World Cup adheres to a straightforward methodology following the original World Cup groups (see Box A). This time around, the top two teams from each group advance to a single-elimination style tournament (see Box C). The winning eight countries will then move on to the quarterfinals, with the winners qualifying for the semifinals and finally the ultimate match!

Box A: IFN World Cup group stage results

Group A	Group B	Group C	Group D	Group E	Group F	Group G	Group H
Saudi Arabia*	Iran*	Australia*	Nigeria*	Switzerland*	Germany*	England*	Senegal*
Egypt*	Morocco*	France*	Argentina*	Brazil*	Rep. Korea*	Tunisia*	Japan*
Russia	Spain	Denmark	Iceland	Costa Rica	Mexico	Belgium	Poland
Uruguay	Portugal	Peru	Croatia	Serbia	Sweden	Panama	Colombia

** Advance to knockout stage*

Source: FIFA

Box B: IFN World Cup points system

1. Islamic Banking Framework = 2 points for a comprehensive legislated framework, 1 point for specific laws facilitating/supporting/incentivizing Islamic banking and/or Sukuk
2. Central Shariah Board (either a national board or central regulation) = 1 point
3. Previously issued sovereign Sukuk = 1 point
4. Corporate Sukuk issuance or wholesale Islamic financing= 1 point
5. Fully-fledged Islamic bank(s) = 1 point
6. Islamic window(s) = 2 points
7. Islamic products offered by overseas banks, representative offices or subsidiaries = 1 point
8. Domiciled Shariah compliant fund(s) or asset manager(s) = 1 point
9. Takaful provider(s) (both windows and fully-fledged) = 1 point
10. Member of IFSB = 1 point
11. Member of AAOIFI = 1 point
12. Member of IDB = 1 point

Total: 16 points

Should a draw occur in the knockout stage, the winner will be determined by a three-shot penalty shootout, based on:
1. Number of Islamic banks in the country (1 point).
2. Volume of sovereign Sukuk issuance in 2017 (1 point).
3. Volume of corporate Sukuk issuance in 2017 (1 point).

Should any matches still result in a draw, the qualifying countries will be determined by a value judgment based on:
1. Government support.
2. Overall Islamic financial activity.
3. Events or conferences held in the country that demonstrate an interest in the Islamic finance industry.

Match 1: Australia *(Winner Group C)* vs Argentina *(Runner-up Group D)*

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Australia*	1	0	0	1	0	2	1	1	1	0	0	0	**7**
Argentina	0	0	0	0	0	0	0	0	0	0	0	0	**0**

**Advance to quarterfinals*

Our first match is an easy win — Australia beats Argentina hands down with a 7-0 score. But why? What does Australia have that Argentina has failed to achieve — and does either country stand a chance in the future rounds?

Argentina, sadly, still has little going for it in the Islamic finance stakes. Although the industry has been gradually gaining ground in Latin and South America, Argentina is one of the last to jump onto the bandwagon and has so far little to shout about. Conversely, however, Argentina has one of the biggest Muslim populations in the region, along with Brazil — over 500,000 or around 1% of the population, according to the latest data available from the International Religious Freedom Report. In 1989, the election of Carlos Menem, who was raised Muslim by two Syrian immigrants, as the first Argentine president of Arab origin had a positive impact on Islamic culture in the country, which in 2011 passed landmark legislation allowing women to wear Hijabs in public. However, a history of anti-Muslim sentiment including the notorious 1994 bombing of the Asociación Mutual Israelita Argentina (Argentine Jewish Mutual Aid Society), a Jewish community center located in Buenos Aires, has contributed to a stagnant Islamic finance industry. With a limited provision of mosques, study centers and Islamic teaching facilities, the country has so far failed to progress with any kind of Islamic finance provision. However, its neighbor Brazil is the world's largest Halal meat exporter and as such has strengthened its own capabilities including a partnership with Abu Dhabi Equity Partners for a Wakalah and Murabahah inventory finance program and a Shariah compliant livestock financing program, while MUFG Bank also offers Islamic products.

With the emergence of new Islamic players in Suriname and Guyana recently, the industry is picking up the pace in the South American region so while Argentina has fallen at the second hurdle, there is certainly potential for the country to progress in the future.

Australia, on the other hand, won this match with ease. The country has benefited from a positive regime that has ensured regulatory alignment and assisted in acceptance. In 2012, the Australian Tax Office published a paper on Islamic finance for government review, and in its 2016-17 budget the Australian government made recommendations to ensure equal tax treatment for asset-backed financing, thus facilitating Shariah compliant transactions in the country. These changes, expected to be effective by July 2018, while only applicable to a limited range of Shariah compliant transactions, represent significant progress for the Australian market and mark the entry of the industry into the mainstream. But will these efforts be enough to stand up against the big boys of Islamic finance in the quarterfinals?

Match 2: Saudi Arabia *(Winner Group A)* vs Morocco *(Runner-up Group B)*

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Saudi Arabia*	1	0	1	1	1	2	1	1	1	1	1	1	**12**
Morocco	2	1	0	1	0	2	1	0	0	1	0	1	**9**

**Advance to quarterfinals*

Our second knockout match is a much closer fight, and represents one of the tightest contests of the competition. While Saudi Arabia edges out slightly ahead with a score of 14-9 due to its mature Islamic banking sector and strong sovereign Sukuk issuance, Morocco put up a strong fight and stands up against its larger rival in a number of areas.

Morocco lost out predominantly due to its lack of Sukuk issuance — the country has announced plans for sovereign issuance time and again and was previously expected to tap the local Sukuk market before the end of June 2017. However, no paper has yet emerged, despite four planned Sukuk issuances planned for 2018.

The country's Islamic banking sector, on the other hand, has come on apace. In January 2017, eight banks were granted licenses to sell Islamic finance products on either a window (three) or subsidiary basis (five). Attijariwafa Bank, BMCE of Africa and Banque Centrale Populaire (BCP) obtained licenses along with smaller lenders Credit Agricole (CAM) and Credit Immobilier et Hotelier (CIH). All of these are partnering with international institutions to set up shop in Morocco – Attijariwafa is working with the IDB which will have a minority stake of 10-20%, BMCE is partnering with Bahrain's Al Baraka Group, BCP with Saudi's Guidance Financial, CAM is working with the Islamic Corporation for the Development of the Private Sector and CIH is supported by QIIB.

As of August 2017, three were launched: Umnia Bank (CIH-QIIB), Dar Al Amane (Attijariwafa Bank Group) and Bank Assafaa (Societe Generale Maroc). Al Baraka's BTI Bank is expected to launch in September and Credit du Maroc before the end of the year. This is a welcome development: Moroccan banks expect to grow their deposit bases by 5-10% from Islamic banking customers which will provide a modest stimulus to the country's economic development as deposits represent about 70% of banking sector funding, according to Fitch Ratings.

In July 2017, it was also revealed that the Central Guarantee Fund (CGF) expects to provide Shariah compliant solutions by 2018 to ease the access of SMEs and individuals to Islamic financing products, just as how it has been doing on its conventional side. The CGF has commissioned a study to identify an international benchmark in terms of best practices for Islamic banking, to determine the potential size of the market in terms of Islamic financing and the needs in terms of Shariah compliant guarantees and to define a suitable business model, among others.

Despite its progress, Morocco was nonetheless unable to stand up to the behemoth that is Saudi Arabia. With an exceptional capital market profile since its debut sovereign Sukuk issuance in 2017, Saudi has shown the world what is possible with a truly committed state approach to Islamic finance. But while the country is a strong contender, will its banking market and Sukuk strength be enough to win the crown?

Match 3: Iran *(Winner Group B)* vs Egypt *(Runner-up Group A)*

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	Islamic banks	Sovereign Sukuk 2017	Corporate Sukuk 2017	**Total**
Iran*	2	1	1	1	1	0	1	1	1	1	0	1	1	1	1	**11(+3)**
Egypt	1	0	0	1	1	2	1	1	1	1	1	1	1	0	0	**11(+1)**

**Advance to quarterfinals*

The third match of the knockout stage was the most exciting yet, with two powerhouses of Islamic finance going head to head — both with very different strengths and unique backgrounds. The result in regulation time was a 13-all draw.

Iran won 13 points through its holistic Islamic banking framework, with full regulatory treatment, a central Shariah board and a strong legacy of sovereign Sukuk. However, the country struggles with a shaky accounting and legal platform, lack of credibility on an international level and of course sanctions that prohibit it from trading openly with all countries. Does this impact its abilities in the Islamic finance space? Not necessarily. The country is making strides forward — in 2016, the Securities and Exchange Organization of Iran approved and modified several regulations to allow for new products, while the Islamic Republic's sixth five-year development plan (2016-21) also includes the establishment of a Shariah compliance board under the Central Bank of Iran (CBI) to assist with banking supervision. The banking sector of Iran is fully Shariah compliant, making the Republic the largest Islamic banking asset holder in the world, with net domestic assets across 45 Islamic institutions recording an increase of IRR2.32 quadrillion (US$53.33 billion) in the fiscal year of 2016/2017 (latest data), from IRR20.77 quadrillion (US$477.48 billion) in 2015. So is this enough to come out ahead?

Egypt also won 13 points, and has faced its own struggles in Islamic finance as well as winning its own unique battles. The country loses from a regulatory perspective — its Islamic banking and finance industry is not regulated by a comprehensive and dedicated regulation. Instead, both Islamic banks and conventional banks fall under the purview of the Central Bank of Egypt. However, compliance of Islamic financial activities is regulated by a decentralized Shariah board relying on internal Shariah boards, as there are no specific national laws addressing Islamic banking and finance.

Egypt also loses in terms of debt. While a Sukuk law was passed in 2013 under the administration of former president Mohamed Morsi, it was never implemented. In 2017, the Egyptian government attempted to regulate the issuance of Sukuk from public and private entities by approving amendments to Law No 95 of 1992 of the Capital Market Law, including recommendations to repeal the 2013 Sukuk Law and the establishment of a new legislative framework for Sukuk issuance and trading in the country. However, no sovereign Sukuk have yet been issued — a major stumbling block for any jurisdiction looking to establish supremacy in the global landscape.

When it comes to a draw in the knockout stage, our methodology states that the winner is to be determined by three factors: the number of Islamic banks in the country, the volume of sovereign Sukuk issuance in the last year and, if a draw still stands, then the volume of corporate issuance in 2017.

By these parameters, Iran comes out on top in a thrilling penalty shootout — with 45 ostensibly banking institutions including nine investment banks, three government-owned commercial banks, five government specialized banks, 20 private banks, two Gharzolhasaneh (interest-free loan) banks and one binational bank. In comparison, Egypt has just three fully-fledged Islamic banks as well as a number of Islamic windows and assets reaching EGP52 billion (US$2.93 billion).

In Sukuk Iran also wins. The outstanding amount of debt instruments in the capital market reached IRR332.5 trillion (US$7.89 billion) in March 2017 (latest data), indicating 88.1% compared with the year before, according to the CBI. Debt instruments enjoyed a 24% share of total financing in the capital market in 2016/17. Islamic treasury bills, with 44.5%, accounted for the highest share of issued debt instruments in the same year. In comparison, Egypt has so far failed to issue sovereign Sukuk despite multiple announcements of a debut on the cards.

Based on these results, Iran certainly wins the day — but how will it fare against a more established, larger and sophisticated market in the quarterfinals?

Match 4: Nigeria *(Winner Group D)* vs France *(Runner-up Group C)*

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Nigeria*	2	1	1	0	1	2	1	1	1	1	0	1	**12**
France	1	0	0	0	0	2	1	1	1	0	1	0	**7**

**Advance to quarterfinals*

In Match 4, Nigeria against France might seem like an unequal contest, but actually the fight was more equal than might first be thought. France may have won just half the points of its opponent (7 to 14) but many of these points were lost through its lack of membership of global Islamic standard-setting bodies such as the IDB and the IFSB. France has failed to even approach the concept of a sovereign Islamic issuance (unlike its neighbors in the UK and Luxembourg) and although the country is home to a number of providers offering Islamic products, it plays host to not one fully-fledged Islamic bank.

In comparison, Nigeria is one of our highest scoring teams so far, with 14 points out of 16. While it may not have completed its Islamic finance framework and while public opinion may limit its ambitions to a certain extent, guidelines for Islamic financial institutions released in 2011 went a long way toward preparing the groundwork, followed by a draft framework (inspired from the Banks and Other Financial Institutions Act) issued in 2009.

In 2017, the Central Bank of Nigeria (CBN) issued several Islamic banking-related regulations, including for Shariah microfinance banks, while the National Pension Commission approved the investment of pension funds in Shariah compliant assets. The country also has in place Sukuk rules since 2013 thanks to the Securities and Exchange Commission of Nigeria, while the CBN released a 2017 framework enabling intraday and overnight liquidity for non-interest banks using Sukuk and other eligible assets as collateral. Its regulatory strength along with its 2017 sovereign issuance makes Nigeria the deserving winner in this initial knockout match.

Match 5: Switzerland *(Winner Group E)* vs Rep. Korea *(Runner-up Group F)*

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	Islamic banks	Sovereign Sukuk 2017	Corporate Sukuk 2017	Judgement	**Total**
Korea*	0	0	0	1	0	0	1	0	0	1	0	0	0	0	0	1	**3(+1)**
Switzerland	0	0	0	0	0	0	1	1	1	0	0	0	0	0	0	0	**3**

**Advance to quarterfinals*

The IFN World Cup is an equal opportunity contest, and while this match might have featured some lesser-known stars in the Islamic finance firmament, their efforts in the space should not go unsung. Switzerland and Korea may not have reached the same level of sophistication as our previous drawn match (Iran vs Egypt), but they are currently racing head to head with the score 3-all and both have acknowledged strengths in their own areas.

Switzerland is an acknowledged center for private banking and global asset management, and therefore the repository of a substantial quantity of Islamic funds. However, its major banks (including UBS and Credit Suisse) pulled back from Islamic finance after the financial crisis and have yet to recover any material ground.

The Republic of Korea, on the other hand, has gained ground in recent years. While its domestic industry has yet to gather pace, Korean banks and government-linked entities have been increasingly active overseas. In May 2018, the Export-Import Bank of Korea and the Korea Trade Insurance Corporation took part in a consortium to back an Islamic-conventional dinar-denominated financing facility of up to US$800 million for Kuwait Integrated Petroleum Industries, while its export credit agency has funded a number of other Islamic projects in a variety of jurisdictions including Oman. In 2014, the Bank of Korea joined the IFSB, while it also set up a program in Malaysia able to issue Islamic bonds. In November 2017, state-run utility company Korea Electric Power Corporation announced that it was considering a Sukuk issuance for US$250 million to fund its combined cycle power plant project in Malaysia.

Korea tried to introduce Islamic finance into its own country formally in 2009 but failed due to political opposition. However, its activity and support overseas and its support of corporate Sukuk issuance give it the edge over Switzerland in this match, putting the Republic of Korea through to the next round.

Match 6: Tunisia *(Winner Group G)* vs Japan *(Runner-up Group H)*

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Tunisia*	2	0	0	0	1	0	1	1	1	1	0	1	**8**
Japan	1	0	0	1	0	0	1	1	1	1	0	0	**6**

**Advance to quarterfinals*

Unlike the previous match, this was somewhat less than even, with Tunisia edging Japan 10-6. Tunisia has really spread its wings in the Islamic banking sector over the past few years, working hard on both its regulatory and commercial aspects.

The Tunisian Islamic banking industry formally commenced just three years ago, following the approval of a new banking law to modernize its financial services, which includes chapters to initiate a specific Islamic banking law for the first time. Under the new law, which defines certain Islamic finance contracts, banks are allowed to carry out Islamic banking transactions on both a fully-fledged and window basis.

The Central Bank of Tunisia is also working on the preparation of two circulars to supplement Law No 48, a new law enacted in July 2016 for Shariah compliant finance. Out of the 23 banks in Tunisia, three are Shariah compliant: state-backed Zitouna Bank (2010), Al Baraka Bank (which became an onshore bank in 2014) and Wifack International Bank (previously a leasing company; started banking operations last year).

By contrast, Japan has struggled to implement Islamic banking in its home market. Some steps have been taken — in 2008, the government passed a law allowing subsidiaries of banks to extend Islamic products, including those involving assets (such as Murabahah and Ijarah).

In 2012, legal and tax frameworks for Sukuk were also created by the Financial Services Agency of Japan. And in April 2015, the government amended the Comprehensive Guidelines for Supervision of Major Banks and Comprehensive Guidelines for Supervision of Regional Financial Institutions, which saw banks include Islamic banking services as part of their product suite.

However, there is little Islamic provision within the Japanese market. The three largest Japanese banks — MUFG Bank, Sumitomo Mitsui Banking Corporation (SMBC) and Mizuho Financial Group — offer Islamic products, but through their Malaysian branches. This is because the 2015 law dictates that banks are only allowed to issue Shariah compliant products through their subsidiaries, in order to separate non-financial risks from the banks themselves. Japanese banks have since been active in overseas markets — SMBC is influential in the Islamic debt capital market through its London office while MUFG Bank secured a license for an Islamic window under the Dubai Financial Services Agency in July 2015 and recently also expanded to Saudi Arabia.

The Malaysian branches of Japanese banks are particularly active in Islamic financing activities. MUFG Bank recently arranged a Murabahah syndicated financing for STC Malaysia Holdings, a local subsidiary of Saudi Telecom. Mizuho Bank extended Islamic facilities to the Islamic Corporation for the Development of the Private Sector and Mizuho International was also a joint arranger for Kuwait's EQUATE Petrochemical Company's maiden Sukuk in March 2017.

There are also several Japanese Islamic funds available in the market: including the PNB-INSPIRE Ethical Fund 1, established by Japanese investment firm Inspire; Malaysian investment company Permodalan Nasional (PNB)'s PNB Asset Management Japan in 2014; and Aberdeen Islamic Asset Management's Aberdeen Islamic Asia Pacific ex-Japan Equity Fund. Inspire and PNB also co-launched a Shariah business advisory firm (Respire) in Malaysia to assist Japanese institutions in their investments into Malaysia and other regional markets including in the Halal sector.

Japan's SBI Holdings in 2010 established the SBI Islamic Fund (Brunei) with the Ministry of Finance of Brunei Darussalam as a Shariah compliant investment arm for private equities. In 2016, SBI again launched another Islamic fund of up to JPY10 billion (US$91.85 million) in collaboration with Brunei and the IDB to invest in biotechnology and food processing.

Despite all this impressive activity overseas, however, Japan's limited domestic platform loses the country valuable ground, while its absence from leading supranational bodies including AAOIFI and IDB also cost it points. The country has no fully-fledged Islamic banks and no sovereign Sukuk plans, and as such it loses out to Tunisia in a penalty shootout, with the North African country moving forward to the quarterfinals.

Match 7: Germany *(Winner Group F)* vs Brazil *(Runner-up Group E)*

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Germany*	0	0	1	0	1	0	1	0	1	1	0	0	**5**
Brazil	0	0	0	0	0	0	1	1	0	0	0	0	**2**

**Advance to quarterfinals*

Germany against Brazil was another exciting match from non-core Islamic finance countries seeking to make a move in the space, with Germany thumping Brazil 7-2.

In the last 30 years, Brazil has become one of the major producers and exporters of Halal food in the world. However, the country has not succeeded in replicating the same success in Islamic finance and currently the majority of its trade flow is not financed under Shariah law. As a predominantly Christian country, there is no major domestic demand for Islamic retail products. However, with the growing trade between Brazil and Islamic countries along with the presence of Brazilian multinationals in places like the UAE, Saudi Arabia and Egypt, Islamic banks are keen to develop relationships with Brazilian exporters. Although interest in Islamic finance is growing and gaining importance, there still remains a lot of work to be done.

By contrast, Germany had a strong start with its first Saxony-Anhalt Sukuk back in 2004 and has since followed this up with continental Europe's first fully-fledged Islamic bank in the form of KT Bank, a subsidiary of Turkey's Kuveyt Turk and now with four branches across the country. Germany may not have made the same strides as other western countries such as the UK in the Islamic finance space, but facing different opponents, it has nevertheless succeeded in squeezing its way into the quarterfinals — that is the luck of the draw.

Match 8: Senegal *(Winner Group H)* vs England *(Runner-up Group G)*

	Framework	Shariah Board	Sovereign Sukuk	Corporate Sukuk	Fully-fledged	Windows	Products	Funds	Takaful	IFSB	AAOIFI	IDB	**Total**
Senegal*	1	0	1	1	1	2	1	1	1	1	0	1	**11**
England	0	0	1	1	1	2	1	1	1	1	1	0	**10**

**Advance to quarterfinals*

In our final match of what has been a suspense-filled knockout stage, the leading center of Islamic finance in the western world goes up against one of the newest, strongest and most ambitious Islamic jurisdictions of the developing world. In an incredibly close fight, England races against Senegal to compete for the last place in the quarterfinals.

While Senegal does not have a dedicated Islamic banking and finance law yet, the Central Bank of West African States is working on introducing an Islamic finance regulatory framework for WAEMU member states, expected to come into effect by the first quarter of 2018. In contrast, England has worked hard to develop a level-playing field but has no specific Islamic banking framework and offers Islamic banks no preferential treatment.

Both countries have issued sovereign Sukuk, and both have numerous fully-fledged Islamic banks and windows, along with several subsidiaries and overseas representative offices. Takaful is represented in both countries, and both are members of the IFSB. In fact, the only slight difference is that Senegal has achieved membership of the IDB by virtue of its position as an OIC member — giving it a very slight edge over its western rival.

So while England may have lost this round and failed to move forward in the World Cup contest this year, its close call with Senegal demonstrates unequivocally that while differences between jurisdictions may remain, all that is needed for success in Islamic finance is the true will to succeed and the drive to incorporate the genuine principles of Shariah.

Join us next time, as we conclude our inaugural IFN World Cup 2018. Who will be the victor?

Box C: Knockout stage matches (quarterfinals onwards)

The IFN World Cup knockout stage matches follow the same structure and framework as the FIFA World Cup 2018 knockout matches.

Saudi Arabia vs Australia (Match 1)
Republic of Korea vs Tunisia (Match 2)
Germany vs Senegal (Match 3)
Iran vs Nigeria (Match 4)

Semifinals
Winners of Match 1 vs Winners of Match 2 (Match 5)
Winners of Match 4 vs Winners of Match 3 (Match 6)

Final
Winners of Match 5 vs Winners of Match 6

Source: FIFA/IFN

IFN World Cup: The winner takes it all…

Welcome to the conclusion of the inaugural IFN World Cup, and what a program we have for you! We kick off with the quarterfinals, where a brand new set of criteria creates compelling contests between the cream of the initial crop. The winners of this round move onto the semifinals, where the going gets even tougher and the judging gets tighter — there's nowhere to hide, and everything to play for. And finally, the two finalists battle it out on their own — but who will emerge victorious in this fight for glory and global dominance?

Quarterfinals

The first two stages explored the landscape and framework for domestic Islamic banking in each country, creating a foundation for further analysis and filtering the active players from the aspirational. Now, however, it is time to take a closer look at facts and figures with an in-depth assessment of elements that offer genuine evidence of Islamic finance ability. The quarterfinals therefore introduce a new methodology based on a set of nine categories that we feel encompass an overall understanding of the Islamic finance industry in all its disparate segments, and indicates the performance, commitment and capabilities of each country in each sector. For the quarterfinals, these are split into two categories. The first (indicated in green) represent a value-based match point where the results for each country are compared and the winning competitor takes the point. The second (indicated in red) represents an absolute match point where both countries can take a point should they meet the criteria of the category.

Quarterfinal 1: Australia vs. Saudi Arabia

	Australia	Saudi Arabia
Market share of Islamic banking assets	0	1
Islamic banking institutions per capita	0	1
Islamic banks with international operations	1	1
Volume of sovereign Sukuk 2014-17	0	1
Volume of corporate Sukuk 2014-17	0	1
Shariah compliant investments as a proportion of the total	0	1
Shariah compliant index (exchange-based or from a recognized service provider)	1	1
Takaful providers per capita	0	1
Educational institutions providing Islamic finance courses	1	1
Total	**3**	**9**

The first match was a harrowing introduction to the quarterfinal, and although Australia put up a good fight it struggled to face up to the bulldozer that is Saudi Arabia. The chaps Down Under lost ground due to the lack of a developed domestic Sukuk market, while the small size of the market meant an absence of quantifiable data such as Islamic banking assets or Shariah compliant investments. The country did make up some ground, however, with homegrown banks such as Maquarie, Westpac and National Australia Bank (NAB) spreading their wings overseas. Westpac launched Islamic banking in 2010 and its former CEO Shayne Nelson now heads Emirates NBD, Dubai's biggest bank. Maquarie Bank is active in the Middle East and in 2015 advised property developer Tamouh Investments on a AED600 million (US$163.33 million) Shariah compliant financing. The bank was one of the first to join Abu Dhabi's new financial free zone, the Abu Dhabi General Market in 2016, and has been vocal in its commitment to the region. Closer to home, and while the Australian domestic market remains narrow with no Takaful provision and a limited range of retail providers, Islamic real estate financing has seen a steady trickle as players such as the NAB tap into Gulf and Asian investor appetite for Australian investment, along with incomers such as Malaysia's Tabung Haji fund, which completed a AU$220 million (US$163.17 million) Sydney development in November 2016 helped by AU$96 million (US$71.2 million) in financing from Maybank Islamic Bank. Australia also has a thriving Shariah compliant superannuation sector. While its Islamic investment assets as a proportion of the total cannot yet hope to match those of Saudi Arabia (which saw US$20.6 billion in Islamic funds' assets under management (AuM) in 2016 according to EY data), the market is in fact thriving. Islamic superannuation funds currently account for around US$12 billion in AuM, expected to increase to US$22 billion by 2020 — a drop in the ocean of the US$2 trillion Australian investment management industry but positive growth nonetheless.

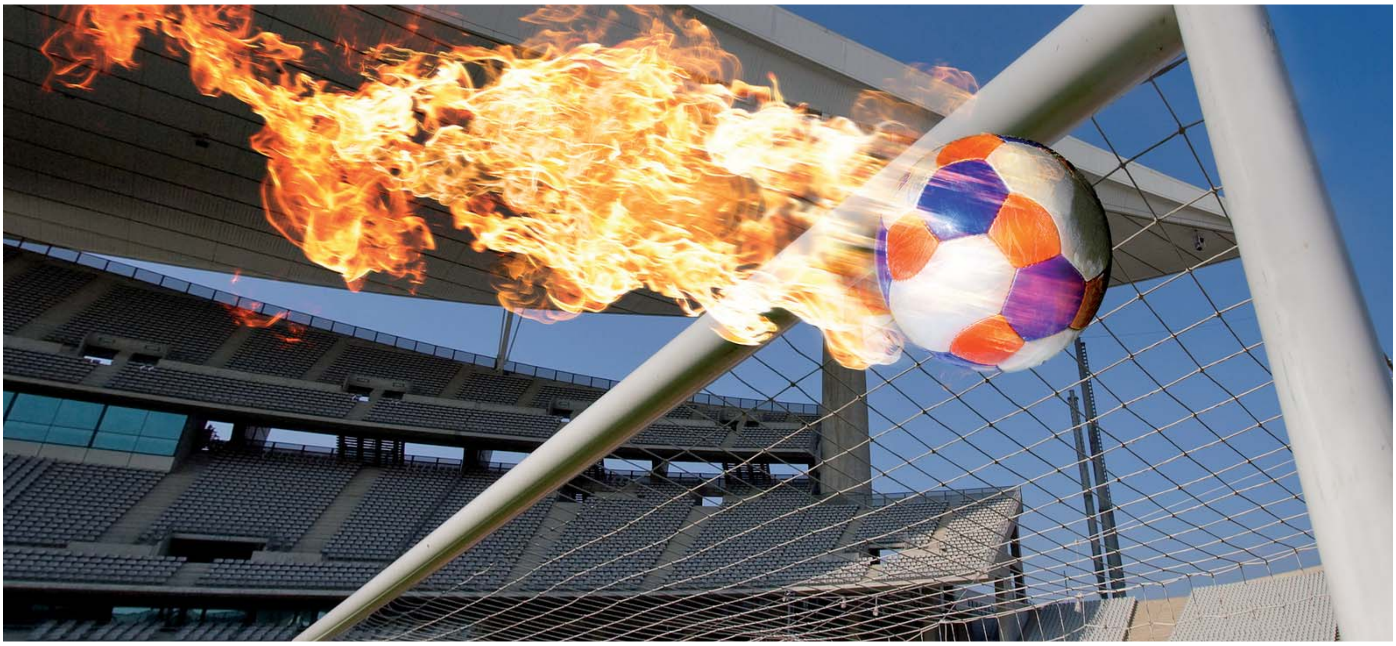
Unsurprisingly however, Saudi Arabia dominated the contest. With a 51.1% market share, 12 banks providing Islamic financial services, US$21.3 billion in sovereign Sukuk and US$12.6 billion in corporate Sukuk issued between 2014-17 (according to Dealogic data) and the biggest global market for Islamic insurance (standing at US$10 billion in contributions for 2016 according to the IFSB), the Kingdom charged its way straight through to the semifinals. But who will it face in the next round?

Quarterfinal 2: Korea vs. Tunisia

	Korea	Tunisia
Market share of Islamic banking assets	0	1
Islamic banking institutions per capita	0	1
Islamic banks with international operations	1	0
Volume of sovereign Sukuk 2014-17	0	0
Volume of corporate Sukuk 2014-17	0	0
Shariah compliant investments as a proportion of the total	0	1
Shariah compliant index (exchange-based or from a recognized service provider)	0	0
Takaful providers per capita	0	1
Educational institutions providing Islamic finance courses	0	0
Total	**1**	**4**

The second match was an interesting one, with the Republic of Korea struggling to catch a point while Tunisia, despite recent positive developments in the Islamic finance space, failed to do as well as expected either. Korea inevitably fell down in this round due to its lack of a domestic Islamic banking industry and its failure to remove tax barriers which prevent the issuance of Sukuk in the country. However, Korean institutions have nevertheless made their mark in other Islamic finance markets — most notably Malaysia, where the Export-Import Bank of Korea (KEXIM) has a bond program in place that can issue Sukuk. Several Korean corporates have also expressed interest the Malaysian Sukuk market, including oil firm GS Caltex. The big news spurring on Islamic finance in Korea (despite staunch opposition from the country's vocal Christian minority) is its growing relationship with Iran. In 2017, KEXIM and the Export Development Bank of Iran signed a far-reaching EUR8 billion (US$9.34 billion) framework for Korean financing of Iranian projects through 12 of the country's Shariah compliant banks. Korea's Woori Bank opened a desk in Iran in 2016, and has also been active in other Islamic finance jurisdictions — including an MoU with Qatar Islamic Bank in 2015 followed by a US$10 million loan, the first Korean bank ever to enter into a financial transaction with an Islamic bank. And looking ahead, Korea may succeed in carving out a new space for itself within the Islamic finance industry, following the recent MoU signed in June 2018 between South Korean blockchain incubator IncuBlock and Malaysia's Malay Consultative Council, with the goal of developing Shariah compliant blockchain technologies. While the development failed to influence the outcome of this match, it could be a whole new story next time the World Cup rolls around.

Tunisia emerged the clear winner in this fight however, due to its robust and growing domestic industry. Accounting for 2.5% of banking assets in 2016, the latest figures put Islamic banking at around 5% of the total market, with three Islamic banks servicing a population of 11.4 million. The country has yet to issue corporate or sovereign Sukuk but is home to five Takaful providers and two Shariah compliant investment funds, while Muslim investors interested in gaining exposure to the market can access it through the S&P/OIC COMCEC 50 Shariah, which includes Tunisia in its coverage.



Quarterfinal 3: Iran vs. Nigeria

	Iran	Nigeria
Market share of Islamic banking assets	1	0
Islamic banking institutions per capita	1	0
Islamic banks with international operations	1	0
Volume of sovereign Sukuk 2014-17	1	1
Volume of corporate Sukuk 2014-17	1	1
Shariah compliant investments as a proportion of the total	1	0
Shariah compliant index (exchange-based or from a recognized service provider)	1	1
Takaful providers per capita	1	0
Educational institutions providing Islamic finance courses	1	1
Total	**9**	**4**

Quarterfinal 3 was a more equal contest and while the conclusion may have seemed inevitable given the size of Iran's banking industry, underdog Nigeria gave the Islamic Republic a run for its money. In terms of scale of course, there is no comparison — Iran in theory has a 100% Islamic financial system, and while there are no accurate figures yet for Nigeria's Islamic finance industry, the country only has one fully-fledged Islamic bank and two windows, servicing a population of 186 million. However, the country has taken great strides forward in recent years, making it a genuine contender despite its fledgling status. It may not have spread its wings overseas yet but its pioneer stand-alone Islamic institution Jaiz Bank posted profits of NGN894 million (US$2.48 million) in 2017, an increase of 161% over the previous year. It has also taken promising steps forward in opening up an Islamic debt capital market, with the issuance of its debut NGN100 billion (US$276.59 million) sovereign Sukuk in the fourth quarter of 2017 and a debut US$150 million Sukuk from the Africa Finance Corporation in January 2017 — the first Sukuk transaction from an African supranational entity and the highest-rated ever Sukuk issuance from an African institution.

Iran, in comparison, has a highly developed Islamic debt capital market with regular sovereign and corporate issuance - the accumulated traded value of Iran's Sukuk market currently exceeds IRR373.48 trillion (US$8.76 billion). Yet due to its years of isolation, these instruments have developed along a different path to the wider global Islamic finance market — both in terms of regulation, procedure and product — and it is only recently that the country has started working toward creating structures that meet with international standards. The government issues regular domestic sovereign Sukuk and is also debuting new products: including the launch of Sukuk Ijarah in 2016, retail Islamic treasury bills in February 2018 and Sukuk Manfa'ah (a type of instrument based on usufruct) in March 2018. Its corporates are also active in the Sukuk market, while in 2018 the Majlis Joint Commission approved the issuance of up to IRR70 trillion (US$1.64 billion)-worth of Sukuk from state-owned entities. However, Iran suffers from a lack of international exposure, with limited overseas investment flowing into the debt market and the inability to issue in US dollars constraining market development.

The equity market, however, is a different story. Iranian Shariah compliant mutual funds held AuM of US$35.12 billion as of June 2018 (according to data from investment firm Agah Group). Compared to this scale, Nigeria's fledgling industry can hardly compete — the whole universe of Nigerian mutual funds held AuM of NGN513 billion (US$1.43 billion) as of March 2018 according to Naira Metrics, of which Islamic fund managers hold just a fraction. The space is growing, however — Lotus Capital, the country's sole fully-fledged Islamic investment manager, launched the country's only Shariah compliant index in 2012 in collaboration with the Nigerian Stock Exchange. In 2014, the firm rolled out the nation's first Shariah compliant exchange-traded fund (ETF), the Lotus Halal Equity ETF and in 2016 introduced the Lotus Halal Fixed Income Fund. Windows including Standbic IBTC Asset Management and ARM Investment Managers also offer Islamic asset management.

In Takaful too, Nigeria's scale lets it down despite positive recent progress. Iran is home to 32 Islamic insurance firms servicing a population of 80.86 million (one per 2.5 million) while Nigeria has a population of 186 million and just two Takaful providers (one per 93 million). Overall, while the African nation put up a valiant fight and deserves special mention for its impressive commitment to developing a robust Islamic finance governance framework and well-regulated domestic industry, it was ultimately unable to compete with the breadth, depth and history of the long-established Iranian market.

Quarterfinal 4: Germany vs. Senegal		
	Germany	Senegal
Market share of Islamic banking assets	0	1
Islamic banking institutions per capita	0	1
Islamic banks with international operations	0	0
Volume of sovereign Sukuk 2014-17	0	1
Volume of corporate Sukuk 2014-17	0	0
Shariah compliant investments as a proportion of the total	0	0
Shariah compliant index (exchange-based or from a recognized service provider)	0	1
Takaful providers per capita	0	1
Educational institutions providing Islamic finance courses	1	1
Total	**1**	**6**

Our last match of the quarterfinals was less of a nail-biter, with Senegal emerging as the clear winner over Germany's smaller scale — unsurprising, given the difference in focus. Senegal has a population of 15.4 million of which 92% are Muslims, and already has six Islamic banks and windows servicing the market (one per 2.5 million customers). In comparison, Germany has a population of 82.67 million and just one Islamic provider — KT Bank, established by Kuveyt Turk in 2015 as the first Islamic bank in Germany and, indeed, in continental Europe. While this is an admirable achievement, it is a drop in the ocean of Germany's banking industry — which is one of the most competitive in the world, with around 1,800 banks jockeying for customers. Germany has a Muslim population of around 4.5 million (5.4%) of which around three million are of Turkish origin. KT Bank has targeted this sector with some success, seeing assets reportedly double from EUR54.4 million (US$63.51 million) in 2015 to EUR108 million (US$126.08 million) in 2016, with plans to increase the asset base by 80% over 2017. Yet the bank has failed to achieve comparable financial gains and has made a loss every year since launch.

In other areas too, Germany loses against its African rival. Despite launching one of the world's first sovereign issuances back in 2004, there has been no Sukuk activity since, either on a corporate or sovereign level. There is no information available as to whether the country hosts any Shariah compliant investment funds, and the country just has the one Takaful provider — FWU Group, whose Islamic activities are largely overseas. Germany does get a point for education though — the Institute for Islamic Banking and Finance in Hamburg offers Islamic finance certification.

By contrast, Senegal edges ahead due to its commitment to developing an Islamic finance market. While the country may not have yet fully spread its wings, and while the early stage status of its Islamic finance industry means little quantifiable data is currently available, there are positive signs that suggest growth is on its way. In May 2018, the launch of Coris Bank Baraka Senegal, a window of Coris Bank International, took the number of Islamic banks in the country up to six, while upcoming Islamic banking regulations are expected to boost this number further in 2018. Senegal has issued two sovereign Sukuk to date — far exceeding Germany, although its corporate Islamic debt market has yet to take off. The country also wins on the index front — in October 2016, both Senegal's Sukuk were listed on the West African Regional Stock Exchange along with issuances from the Ivory Coast and Togo, in a Sukuk index supported by the Islamic Corporation for the Development of the Private Sector giving investors access to the securities for trading and liquidity purposes.

Semifinals

From the nail-biting nerves of the quarterfinals, we race straight on to the furious frenzy of the semifinals. All four countries are worthy contenders, all have their strengths and weaknesses and all have established a credible claim to glory. So here the game gets harder and the points get tougher. The categories remain the same, but all nine become competition points and only one country can win each category. The criteria themselves also become more rigorous. Instead of overall market share of Islamic banking assets, we look at the growth of Islamic banking assets over the last four years — a more equitable assessment, enabling us to compare progress rather than market size. Instead of Islamic institutions per capita, we only look at fully-fledged Islamic banks and exclude windows, in order to reward dedication to the development of a genuine domestic banking sector. Instead of any Shariah compliant index, we require an internationally recognized third-party index accessible to global investors. And instead of any organization providing Islamic finance training or education, we recognize only accredited institutions offering genuine academic qualifications. Will this change in parameters change the results? Can the minnows win out against the whales? Let the games begin…

Semifinal 1: Saudi Arabia vs. Tunisia		
	Saudi Arabia	Tunisia
Market share of Islamic banking assets — growth 2017	0	1
Stand-alone Islamic banking institutions per capita	0	1
Islamic banks with international operations	1	0
Volume of sovereign Sukuk 2014-17	1	0
Volume of corporate Sukuk 2014-17	1	0
Shariah compliant investments as a proportion of the total	1	0
Shariah compliant index	1	0
Takaful providers per capita	1	0
Educational institutions providing Islamic finance courses	1	0
Total	**7**	**2**

While Tunisia put up a valiant fight, there was little doubt as to the outcome of this match, with the Kingdom of Saudi Arabia conquering in no uncertain terms the African upstart. Nevertheless, the tighter scoring system resulted in a few surprises that made the match less of a foregone conclusion than it might otherwise have been — and Tunisia put up a good showing with a couple of goals that really played to the crowd. Most notably, the country won out in terms of Islamic banking growth: in 2016, Tunisia reported annual growth of 23% in Islamic banking during the period 2010-15, according to the Annual Report on Banking Supervision 2015 from the central bank (the latest available data), while according to the IFSB Industry Stability Report 2017, it succeeded in doubling its Islamic banking assets from 2.5% of the total market in 2015 to 5% in 2016. In comparison, Saudi Arabia's Islamic banking assets grew by 9% in 2016 — up from 3% growth in 2015 but down from 13% growth in 2014, according to S&P's 2018 Islamic Finance Outlook. Although the IFSB notes that in 2016 two-thirds of all new assets in the global Islamic finance industry came from Saudi Arabia, Malaysia and the UAE, this reflects the size and age of the market rather than its growth, and as such Tunisia wins out as a young gun with accelerated growth levels, despite starting from such a small base.

Saudi Arabia also lost out on stand-alone Islamic banks per capita. Although the Kingdom has a large and robust Islamic banking industry, it is home to just four stand-alone Islamic banks servicing a population of 32.28 million (one per 8.1 million customers) compared to three stand-alone banks in Tunisia servicing a population of 11.4 million (one per 3.8 million customers).

In the other categories however, Saudi Arabia romped home with a resounding victory, winning out on the sovereign and corporate Sukuk fronts with ease and gaining a point for the overseas activities of homegrown Islamic banks such as Al Rajhi. The Kingdom is the largest market in the world for Islamic insurance with 32 providers, giving it a clear edge over the five providers in the Tunisian market even on a per capita basis, while it also wins out from an investment perspective with Islamic funds holding AuM of over US$20.6 billion (according to the EY GCC Wealth & Asset Management Report 2017) compared to the Tunisian market, which is home to just two Islamic funds with no reported asset size. Finally, the Kingdom wins out on education, with the Center for Excellence in Islamic Finance listing at least three tertiary academic institutions in the country that offer Islamic finance degrees.

But while this match may have seen Saudi Arabia sail through to the finals, can the Kingdom continue its winning streak to take home the crown?

Semifinal 2: Iran vs. Senegal		
	Iran	Senegal
Market share of Islamic banking assets – growth 2017	1	0
Stand-alone Islamic banking institutions per capita	1	0
Islamic banks with international operations	1	0
Volume of sovereign Sukuk 2014-17	1	0
Volume of corporate Sukuk 2014-17	1	0
Shariah compliant investments as a proportion of the total	1	0
Shariah compliant index	0	1
Takaful providers per capita	1	0
Educational institutions providing Islamic finance courses	1	0
Total	**8**	**1**

Compared to the excitement of the previous matches, our second semifinal comes as something of a damp squib. While both countries have their strengths and Iran most certainly has its weaknesses, there is no gainsaying its performance as it thrashed Senegal in a vicious battle that left the African contender no quarter.

According to the IFSB, Iran's Islamic banking assets grew by 30.5% in 2016 (the latest available data) — and with no information available for the growth of Senegal's fledgling market, the Islamic Republic wins the point by default. Senegal also loses on stand-alone Islamic banks per capita — although this was a close argument, as there are grounds to suggest that while Iran may have 45 ostensibly Islamic institutions, not all of these follow the same Shariah compliant principles as are accepted in other Islamic finance jurisdictions. However, with Coris Bank and YUP existing as Islamic windows rather than fully-fledged banks, Senegal's total is down to four banks for a 15.4 million population, and the country thus fails on a per capita basis. In terms of international operations, Senegal has no homegrown banks active outside its own borders. By contrast, despite a historically isolated market, Iranian banks are finally starting to spread their wings overseas — Bank Pasargad recently received the consent of the authorities to set up shop in India, while Khavarmianeh Bank, Saman Bank and Sina Bank are all planning to open branches in different German cities. Whether these institutions will provide formally Shariah compliant services is unknown, but the activity nevertheless gains the Republic a point for effort. Senegal did snatch a point on the index front — Iran has no internationally recognized Shariah compliant index from a global provider, while investors do have access to Senegal through the MSCI BRVM Index.

However, with Iran also dominating in the Sukuk categories, winning out in terms of Islamic investment AuM and closing its success with US$8 billion in Takaful contributions in 2017 across 32 providers (compared to just one in Senegal), there was no question as to its ultimate victory, placing it in direct competition with Saudi Arabia as the two giants go head-to-head in the final.

Third-place playoff

In a brief diversion before we reach that point however, we veer off track for the third-place playoff. Two African nations made it to the semifinals, highlighting the impressive recent progress of Islamic finance on the continent. After an incredibly close match, the score stands at 5 to 4 in favor of Tunisia, who emerged victorious on the back of its strong growth of Islamic banking assets, the presence of two Islamic investment funds, five Takaful providers to Senegal's one and its presence in the S&P/OIC COMCEC 50 Shariah (which is specifically Shariah compliant, while the MSCI BRVM Index is not). Tunisia also won the point for stand-alone Islamic banking institutions per capita against Senegal, although this was incredibly tight (one bank per 3.8 million for the winner and one bank per 3.825 million for Senegal). A close match and a worthy winner.

Third-place playoff: Tunisia vs. Senegal		
	Tunisia	Senegal
Market share of Islamic banking assets — growth 2017	1	0
Stand-alone Islamic banking institutions per capita	1	0
Islamic banks with international operations	0	1
Volume of sovereign Sukuk 2014-17	0	1
Volume of corporate Sukuk 2014-17	0	1
Shariah compliant investments as a proportion of the total	1	0
Shariah compliant index	1	0
Takaful providers per capita	1	0
Educational institutions providing Islamic finance courses	0	1
Total	**5**	**4**

Final

And now, we finally reach that long-awaited moment … the one we have all been waiting for … (drumroll) … the final of the IFN World Cup 2018! It's been a long and emotional journey, we have seen highs (the epic group stage struggle between Saudi Arabia and Egypt that so nearly resulted in the Shariah compliant giant crashing out in the first round) and lows (the quiet disappearance of admirable underdog Nigeria in the quarterfinals, overfaced by a behemoth it just couldn't beat) and now it is time for the final struggle.

Was it always going to end like this? Some might cite the luck of the draw, but as we all know in Islamic finance, Gharar is forbidden — so perhaps this final battle was inevitable from the start. Saudi Arabia and Iran are without question the twin giants of Islamic finance in the Middle East, and both exert influence that extends far beyond their borders. Yet they represent very different regimes, and in many respects occupy opposite ends of the Islamic spectrum. So how to compare the two?

The previous stages have established beyond doubt the strength, size and stability of the domestic Islamic finance industry in each country. Both scored points on market share, on governance framework, on Sukuk issuance and on product provision. Their local dominance is undeniable. But the Islamic finance industry is bigger than the sum of its parts, and jurisdictions do not and cannot exist in a vacuum. A strong domestic industry is important, but of equal consequence is engagement with the wider market and influence on a global as well as on a national level.

For the final match, therefore, we introduced a new set of criteria to evaluate the strength of their positions within a wider global context. Categories cover international banking activity, global US dollar Sukuk issuance, positive involvement in the setting of global standards and/or the development and support of Islamic finance in other countries, market access to foreign investors and finally, overall share of global Islamic banking assets. As with the quarterfinals, a number of categories (indicated in green) represent contested points which can be won by one contender only, while the rest (indicated in red) offer an absolute point which can be awarded to either or both teams based on their performance.

But enough talking, enough preparation, enough explanation. Can you hear the roar of the crowd and the chanting of the fans? Can you smell the grass and see the sunshine glinting off the goalposts? Hold onto your hats — the battle of the century is about to begin…

The tension is palpable as we start the match. Both Saudi Arabia and Iran have banks active overseas, so they both win a point there. As we move to the next category however, Saudi Arabia edges out ahead — the Kingdom has been a major issuer of US dollar Sukuk since its entry to the market in 2017, while its corporates have also been active in the international market. According to Dealogic data, Saudi Arabia issued a total of US$20 billion in supranational, sovereign and agency US dollar Sukuk over 2014-17, and US$3.39 billion in corporate US dollar issuance, making a total of US$23.39 billion. Iran, unable to tap the US dollar market due to sanctions, must concede this point.

In terms of influence on the wider development of Islamic finance, Saudi Arabia also wins. The country is home to the IDB Group, arguably the most influential supranational agency in the industry, founded in 1937 by the finance ministers at the first Organization of the Islamic Conference (now called the Organization of Islamic Cooperation) with the support of the then-Saudi king. Headquartered in Jeddah, the IDB is a pivotal pillar of the global industry, and

Final: Saudi Arabia vs. Iran	Saudi Arabia	Iran
Islamic banks with international operations	1	1
Volume of international/US dollar Sukuk issuance, 2014-17	1	0
Presence of international/supranational Islamic finance body	1	0
Presence of global service providers	1	0
Application of international/globally recognized accounting standards	1	0
Adherence to IFSB standards	1	1
Access for foreign investors	1	1
Share of global Islamic banking assets	0	1
Total	7	4

Saudi Arabia easily wins the point with nothing in Iran to compare.

When it comes to the presence of global service providers, Saudi again takes the point. There are numerous international law firms, consultancies, accounting firms and other service providers with associate offices in the Kingdom providing services to facilitate Islamic transactions. As part of its efforts to open up to the global market and attract international investors, Saudi Arabia also recently welcomed the presence of all three major rating agencies: S&P, Fitch Ratings and Moody's Investors Service, all of whom have established offices in the country. By contrast, Iran has no rating agency presence and just one international law firm — CMS, which opened an office there in 2016 and was the first international law firm to do so.

When it comes to globally recognized accounting standards Saudi wins again, following its formal adoption of the IFRS in 2016 as part of its bid to align its financial system with international best practice. Iran does take a point for adherence to IFSB standards however. Bank Keshavarzi is an observer member of the IFSB, while Iran chaired the IFSB in 2017. The Central Bank of Iran adopted IFSB-15 (a revised capital adequacy standard for institutions offering Islamic financial services) in 2017 along with Basel II and Basel III as part of its ambition to upgrade financial transparency and conform to modern banking standards. Saudi also takes a point for IFSB adherence, with its Capital Market Authority joining the standard-setting body in May 2018.

Both banks also win a point on access for foreign investors. Saudi has made a determined effort to open up its market in recent years, including regulatory amendments such as the introduction of the Qualified Foreign Investor regime. Iran is not far behind — the Islamic Republic is keen to attract foreign investment and, following the partial lifting of sanctions in 2016, has taken a number of steps including the creation of a task force under the forum of the Tehran Chamber of Commerce to study obstacles to foreign investments.

Finally, we take a look at the position of the two finalists in the overall global Islamic banking industry. And it is here that Iran's size plays to its favor. Although Saudi Arabia may be more influential in the international sphere, the vastness of Iran's domestic industry gives it a 33% share of total global Islamic banking assets (according to the latest data from the IFSB) compared to 20.6% for Saudi Arabia, giving Iran a slight advantage and winning it the point.

But who takes home the crown? It was an incredibly close competition and the two players were neck and neck on so many points, but in the end Saudi Arabia emerges as the overall winner, based on its unique combination of a sizeable and robust domestic industry, an influential international position and a strategic ambition to engage overseas investors.

So while Iran put up an impressive fight and should be congratulated for its sterling performance, IFN is delighted to crown the **KINGDOM OF SAUDI ARABIA** as the overall winner of the first-ever IFN World Cup.

Honorable mentions

To recognize individual achievement, a number of specific honors are awarded to the teams that have distinguished themselves in different aspects of the game.

The IFN Fair Play Trophy: To the country IFN deems to be most influential in promoting the rule of law and fair, impartial judgment in the treatment of Islamic finance. We award this trophy to **ENGLAND** for the role played by English law in product documentation, and for the fair and equitable treatment of Islamic structures in the English courts.

The IFN Golden Boot Award: To the country that has made the most progress in Islamic finance over the last four years. We award this trophy to **NIGERIA**, for its impressive progress across multiple sectors: including retail banking, Takaful, corporate and sovereign Sukuk issuance.

The IFN Golden Glove Award: To the country with the most robust attitude toward the governance of Islamic finance. We award this trophy to **MOROCCO** for the progress it has made since 2014 in creating a dedicated Islamic finance framework at a regulatory level along with granularity in terms of legislation for specific structures and the upcoming central bank regulations designed to introduce tax neutrality.

IFN WORLD CUP 2018

GROUP STAGE

A
- Saudi Arabia*
- Egypt*
- Russia
- Uruguay

B
- Iran*
- Morocco*
- Spain
- Portugal

C
- Australia*
- France*
- Denmark
- Peru

D
- Nigeria*
- Argentina*
- Iceland
- Croatia

E
- Switzerland*
- Brazil*
- Costa Rica
- Serbia

F
- Germany*
- Rep. Korea*
- Mexico
- Sweden

G
- England*
- Tunisia*
- Belgium
- Panama

H
- Senegal*
- Japan*
- Poland
- Colombia

**Advance to knockout stage*

ROUND OF 16

Australia vs. Argentina

Saudi Arabia vs. Morocco

Switzerland vs. **Rep. Korea**

Tunisia vs. Japan

Iran vs. Egypt

Nigeria vs. France

Germany vs. Brazil

Senegal vs. England

QUARTERFINALS

Australia vs. **Saudi Arabia**

Rep. Korea vs. **Tunisia**

Iran vs. Nigeria

Germany vs. **Senegal**

SEMIFINALS

Saudi Arabia vs. Tunisia

Iran vs. Senegal

FINAL

Saudi Arabia vs. Iran

THIRD-PLACE PLAYOFF

Tunisia vs. Senegal