

## Islamic issuance: A potential savior amid struggling markets?

Last year was a tempestuous time for the global markets, and 2016 looks to be shaping up for another rocky ride. The world's equity markets are in turmoil, emerging economies are facing major challenges, US dollar appreciation is piling up the pain and China's problematic performance is pushing Asia to the brink. The IMF has warned that corporate failures are likely to rise in the developing world, while S&P recently cautioned that Gulf banks will see credit losses rise and net income fall next year in the face of slowing growth and capital market volatility. As liquidity tightens, what options are available to corporate players seeking efficient funding avenues? LAUREN MCAUGHTRY suggests that the Islamic market could offer a welcome alternative during these turbulent times...

### Market woes

Last year the global economy grew by 2.4% - compared to 2.6% in 2014, and lower than the 2.8% expected. "There is no doubt that global financial conditions are tightening, and emerging and developing markets are especially sensitive to the effects, given other current woes," warned IMF chief economist Maury Obstfeld in his January 2016 outlook. The World Bank this month cut its global growth forecast for 2016 from 3.3% to 2.9% - with developing economies predicted to grow 4.8%.

is thought to have declined below 10% in 2015 with S&P predicting a further slowdown this year. Earnings are likely to weaken over the next few quarters: with interest margins squeezed, low rates returning less on bank assets and funding costs gradually increasing. With low oil prices continuing to affect both economic growth and asset quality, the prospects for the coming year are bleak - with banks consequently looking to pull back and tighten lending limits, with financing becoming more scarce and more expensive.

After five years of decline, credit losses are set to rise for Gulf banks. Net income

So where should issuers look to lock

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### Project Finance Focus



Each month, IFN Corporate will bring you insights and information on an element, option, offering or opportunity in the corporate banking and finance space. This month, we explore the complexities and opportunities of Islamic project finance. **5**

### Islamic finance: Promoting the interests of emerging markets corporates



conclusions reached, can Islamic finance step in to heal the breach? **8**

The Kenyan capital of Nairobi last month hosted the first ministerial meeting of the World Trade Organization (WTO) in Africa - but despite hopes for progress, controversy abounded as developed nations and emerging economies battled over development proposals and pro-corporate possibilities. With tensions remaining high and few



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in financing at the most favorable rates possible? The Islamic markets are increasingly tempting. The IMF has highlighted that Islamic finance “can contribute towards greater global financial stability [and] stronger global growth,” especially as financial risks continue to rise in emerging markets. Islamic banks

are in general strongly capitalized, while a spate of Tier 1 and II issuance from Islamic institutions has left them in a robust position and well-prepared for the upcoming Basel III implementation. In the GCC, a robust regulatory regime and enthusiastic government support have driven an exceptional growth in Islamic issuance – Dubai is now the leading global hub for Islamic bond trading and the largest

global center for Islamic bond listings at around US\$37 billion in 2015, while NASDAQ Dubai is the world’s largest single exchange with over US\$34 billion Shariah compliant issues listed.

“  
This tightening liquidity could have a serious impact on corporate issuers in the market – especially as state support begins to pull back  
”

### Corporate crunch

New avenues of financing will become increasingly important as the challenges continue into 2016 – and corporates could find that the Islamic market becomes a valuable resource during tougher times. “Market funding is starting to become more expensive, by the looks of the Gulf’s two

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Continued from page 2

largest markets - Saudi Arabia and the UAE," noted Timucin Engin, S&P ratings analyst in Dubai. In addition, the lower oil prices have weakened public sector and sovereign bank deposits – traditionally a significant source of funding for banks in the Gulf, where customer deposits account for up to 85% of banking system liabilities.

**“We believe this will result in a gradual tightening of the bank funding available to corporates and, for some of them, drive up the cost of financing”**

This tightening liquidity could have a serious impact on corporate issuers in the market – especially as state support begins to pull back. In the UAE, government deposits fell 14% in H1 last year – a considerable hit to banking liquidity, even as GCC governments start to tap their reserves in order to bridge their growing fiscal deficits. “We believe this will result in a gradual tightening of the bank funding available to corporates and, for some of them, drive up the cost of financing,” warned Engin. In order to diversify funding sources, build debt capital markets, and slow the depletion of their asset positions, other Gulf governments may follow the example of Saudi Arabia and look to domestic debt issuance – with Kuwait already reported to be considering a local currency deal - and finally pushing through its long awaited Sukuk laws last year in order to avail itself of the liquidity in the Shariah compliant capital market (proof, if any was needed, of the growing viability of Islamic issuance for both the public and private sectors).

### Potential problems

“While we are yet to see full blown corporate failures and believe that this is not an imminent occurrence, we are seeing a fair amount of refinancing, asset securitization, and more broadly, a wait-and-see approach deployed by financiers with respect to mega loans, particularly project finance transactions,” warned a Dubai-based lawyer, speaking to IFN Corporate. “Such a slump in global equity markets has also impacted GCC equity markets which, in addition to the overall global economic outlook, are impacted by geopolitical conditions and the drop in oil prices.”

This weakening outlook is pushing investors to diversify into more mature and stable income-yielding assets in markets such as the US and Europe. “We are certainly seeing such trends in the context of the transactions on which we are being engaged, whether such projects are backed by conventional or Islamic Middle Eastern investors,” confirmed the lawyer. Emerging markets have already seen a capital flight of up to US\$1 trillion this year, with net capital outflows reaching an estimated US\$540 billion for 2015 – the first negative flow since 1988.

### Islamic finance to the rescue

Yet as a result of the equity turmoil and economic headwinds, capital is fleeing once more to the fixed income markets: with global bond yields reaching a reported eight-month low as the stock market selloff drives demand for the safety of sovereign debt. Rate hikes in GCC countries including Saudi Arabia, Kuwait and Bahrain (on the back of the US rate increase) have also boosted short-term interest rates and reduced bond yields. Total bond issuance in the MENA region touched US\$105.7 billion during 2015, an estimated jump of 67% or US\$42.3 billion as compared to the previous year, according to Kuwaiti research firm KAMCO.



“The Sukuk market demonstrated resilience despite the decline in oil price and global uncertainty,” said Michele Leung, director of fixed income indices at S&P Dow Jones, in her 2015 review. “The Dow Jones Sukuk Index, which tracks US dollar-denominated, investment-grade Sukuk, rose 1.24% in 2015, while the Dow Jones Sukuk High Quality Investment Grade Total Return Index gained 1% in the same period.” Notably, 48% of new Sukuk added to the Dow Jones Sukuk Index last year were from MENA issuers, emphasizing the growing dominance of the region and increasing interest in and access to Islamic options for financing purposes.

### Positive prospects

And the future for the market looks bright, with a strong pipeline coming up in 2016. The increased expectation of corporate and sovereign issuance along with the opening up of new markets such as Saudi Arabia and Iran and the significant refinancing from GREs expected next year is expected to drive positive results for the Islamic market - even as economic headwinds continue to batter the global and regional financial system.

It is certainly a market well worth considering for any issuer looking to lock in favorable financing. ☺



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# Sukuk Ijarah: Sale and leaseback as a bond issuance structure

What are the advantages, alternatives and avenues for corporates looking to explore new channels of capital raising? This month, we bring you a detailed breakdown of one of the most common Islamic bond frameworks – the sale and leaseback structure known as *Sukuk Ijarah* – to demonstrate that while the terms may sound unfamiliar, the instrument itself is in fact simple, effective and easy to understand.

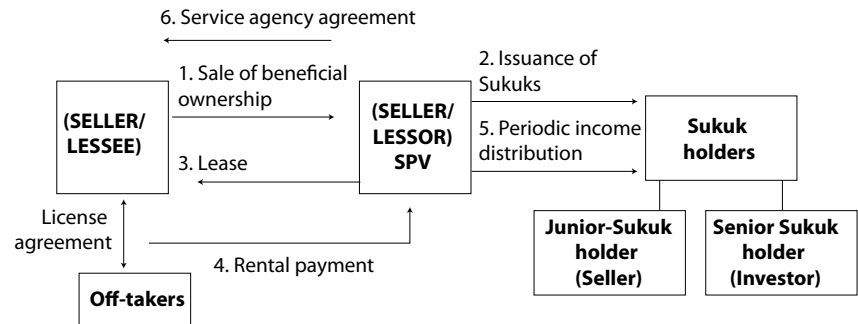
Islamic bonds, or Sukuk, are extremely flexible Shariah compliant debt-like products that can be used in a variety of structures to create instruments ranging from simple unsecured debt all the way to subordinated issuances, hybrid debt, perpetual bonds and more. Sukuk also provide access to a wider range of investors than a standard bond issuance, making it appealing for all corporates alike. However, while growing rapidly the sector is still in its infancy and its structures continue to develop in depth and sophistication.

Sukuk Ijarah, based on the concept of Islamic leasing, are an extremely popular and relatively simple form of Sukuk. The key element of Sukuk Ijarah is its simplicity, and it is sometimes viewed as the classic Sukuk structure from which other forms have developed.

The term *Ijarah* essentially means 'lease' – or the transfer of the rights of an asset in exchange for payment. Its literal meaning is 'to compensate'.

In terms of the securitization process, a Sukuk Ijarah is a process of raising funds whereby the issuer purchases an asset and then leases it back to the seller in return for regular rental payments. At the same time, the issuer issues a Sukuk: with profit payments to investors based on the rental income from the original lease. The Sukuk represents the rights/ownership/interest in the asset and is usually held by a trustee on behalf of the investors.

A special purpose vehicle (SPV) is incorporated to facilitate an asset securitization transaction that comprises the sale and leaseback of the asset from the seller to the issuer via the issuance of Sukuk to investors. The SPV acts as trustee and holds



Source: Azmi Law

the asset in trust for the Sukukholders.

“**The key element of Sukuk Ijarah is its simplicity, and it is sometime viewed as the classic Sukuk structure from which other forms have developed**”

The process itself is straightforward. The originator of the deal (the owner) sells the asset to the issuer (usually acting through an SPV) at a purchase price based on the value of the assets. The issuer then raises a Sukuk of an equivalent amount to the purchase price, often in a combination of senior and junior Sukuk (with the senior tranche sold to investors and the junior tranche held by the seller). The Sukuk represents the rights in the asset and the Sukukholders thus have a proportionate interest in the assets, which are held in trust.

Following the purchase, the issuer then leases the acquired asset back to the originator under a sale and leaseback (*Ijarah*) agreement. The seller then makes periodic lease payments to the issuer – usually derived from the income it receives from the off-takers through a license agreement regarding the asset. These payments are distributed to the Sukukholders as a periodic income distribution payment in proportion to their holdings.

The seller, in its capacity as service agent, usually enters into a service agency agreement with the issuer to provide maintenance and insurance services for the asset. Upon the maturity of the lease period (which equals the maturity date of the Sukuk) the seller and issuer exercise their purchase and sale undertakings, with the issuer transferring the asset back to the seller at the exercised price – the proceeds of which the issuer then uses to redeem the Sukuk.

Notable Sukuk Ijarah transactions include a US\$3.25 billion issuance by Nakheel in December 2006; and a AED3.2 billion (US\$871.2 million) transaction by the Dubai Electricity and Water Authority (DEWA) in June 2008. ☺

## TERMINOLOGY EXPLAINED

### *Ijarah*

*Ijarah* is a type of contract based on sale and leaseback. In the context of project finance, a bank will enter into a transaction whereby it purchases an asset from a manufacturer and subsequently leases it to the customer for an agreed period of time in return for a series of pre-agreed payments. During this period, the title to the asset remains with the bank while the physical possession of the asset is with the lessee. The risk of ownership thus remains with the bank, although the lessee is responsible for the maintenance of the asset. Transactions can be classified into 'Operating Ijarah', which does not include a promise to transfer the legal title of the leased asset into the lessee at the end of the lease, and 'Ijarah Muntahia Bittamleek', where the legal title of the leased asset passes to the lessee at the end of the lease.

# Project Finance Focus

Each month, IFN Corporate will bring you insights and information on an element, option, offering or opportunity in the corporate banking and finance space. This month, we explore the complexities and opportunities of Islamic project finance.

Although the global market is looking positive, the MENA region continues to struggle with the declining oil price. The fall in oil and gas volumes has affected the industry, and investment in power and infrastructure is still failing to keep up with the market for oil and gas projects, leaving the market vulnerable. Some major projects have already been shelved and some markets are leveling out in terms of activity. Qatar has reportedly cancelled two major petrochemical projects (the US\$6.4 billion Al Karaana and the US\$6 billion Al Sejeel) while some regional banks are becoming less keen to lend for the longer tenors that project financing deals require, due to the Basel III capital requirements; while the MEED Projects Index reports stagnation in the GCC and a decline in UAE activity.

So where is the money going to come from to complete the urgent need for infrastructure across developing markets? Islamic options are providing an increasingly interesting alternative — driven by activity in the markets that are managing to ride the wave. Chadbourne & Parke (the world's leading legal advisor for project finance transactions) estimated that in 2012 Islamic finance accounted for 30% of all deals in the region, and there is no doubt that activity is growing — especially in the massive markets of Saudi Arabia and (now that sanctions are lifting) Iran. Saudi Arabia is currently providing the bulk of infrastructure opportunities — but with a ballooning deficit and the recently announced budget slashing public expenditure, the sector could soon be courting private sector funding or Public Private Partnerships (PPPs) to a greater extent than before. And given the Saudi preference for Shariah compliant financing, almost every project in Saudi Arabia now comes with an Islamic component — making it a compelling area for anyone seeking to leverage these large opportunities.

Islamic project finance can be traced back to the early 1990s, when the US\$1.8



“**There is no doubt that activity is growing — especially in the massive markets of Saudi Arabia and (now that sanctions are lifting) Iran**”

billion Hub River power project in Pakistan included a US\$92 million Islamic tranche. Since then the GCC has led a growing sector with deals increasing in both size and frequency. With Islamic tranches usually incorporated within a wider multi-source financing arrangement, they enable the project to access funding from a more diverse and more liquid pool, and bring in Islamic banks to work alongside the usual conventional players, multinational development agencies and export credit agencies. However, 100% Islamic finance deals are also growing in popularity, with the first taking place in 2006 in the form of the US\$526 million Al-Waha petrochemical project. Many major developers especially in the GCC are leaning towards this form of financing — for example Saudi Arabia's Jabal Omar Development Company in September 2015 signed a US\$2.1 billion Islamic loan with two Saudi institutions to fund a project in Makkah.

The structuring of Islamic project finance depends on the nature of the project itself, but is usually based on simple sale and leaseback frameworks such as Ijarah and Istisnah (see Glossary Boxes for a detailed explanation of these terms). And the growing interest in the area has boosted its profile, with international players as well as local Islamic banks getting in on the act, offering a diverse and comprehensive range of opportunities for project fundraisers. For example, the recent US\$2 billion ACWA deal included two Japanese banks and a French bank as well as local and regional players.

Banks usually come in at the start of the deal and provide the initial financing — then after a period of three to five years the deal is refinanced once the project is completed and producing an income and is thus more attractive and secure. This offers yet another opportunity — when the refinancing takes place, the whole market opens up, and this is where the large pool of Islamic investor liquidity becomes even more attractive. For example, the ACWA deal was financed 100% on a Shariah compliant basis at the request of the sponsors (those borrowing the money to build the project). “Now they have US\$2 billion in Shariah compliant financing, with a 20-year term, and I can see there being a lot of demand for this, because the income stream will be attractive to other investors, especially on the institutional side,” said a UAE-based lawyer. ☺

## TERMINOLOGY EXPLAINED

### Istisnah

The Istisnah concept is a contract for the acquisition of specific goods for which the price is either paid at the time of contract, or paid gradually in accordance with the progress on or completion of a job. This structure is often used by Islamic banks to provide financing for the manufacturing and construction needs of clients. The bank pays the contracted developer or manufacturer directly (either in full or as specific and agreed stages are completed). The client then repays the bank through an agreed payment plan.



# Term deposits through partnership and profit-sharing

Each month, *IFN Corporate* brings you a simple, straightforward and uncomplicated explanation of an available Islamic retail product that can be of use to corporates in their daily commercial functions. In this issue we look at the details behind an Islamic fixed term deposit account.

An Islamic fixed term investment deposit is based on the concept of partnership (Mudarabah). The investment is placed in a common pool and is invested in compliance with Shariah principles to generate the best possible returns. These products can also be known as profit and loss sharing (PLS) accounts or participatory accounts, and are the equivalent of conventional time deposits.

Unlike a conventional deposit, which is based on interest, a Mudarabah term deposit is based on a partnership contract. The saver commits the funds to the bank for a fixed period. Instead of confirming a fixed rate of return or interest on the funds, the bank then agrees with the saver a ratio of profit and loss sharing.

The bank pools all its term deposits into an investment account which it then uses to generate a return. While investment deposits are usually categorized based on maturity, they can also be distinguished by purpose, with the option of giving the bank special instructions regarding investment in a particular sector, project or trade. With investment accounts available to both individual and corporate clients, this is one of the most popular Islamic retail instruments.

The return on investment is determined according to actual profits from investment



operations of the bank and shared in an agreed proportion by depositors according to the amount of their deposits and the period for which they are held by the bank.

As an accounting practice, the amount held in the account is multiplied by the period for which it has been employed and profits are distributed on a pro rata basis<sup>1</sup>.

Deposits usually do not have the right to withdraw from these accounts before maturity.

Most banks insist on a specified minimum amount to open and maintain the account, and issue an investment certificate to depositors stating the terms and conditions of the deposit.<sup>(2)</sup>

<sup>1</sup> *The Concept of Mudarabah Investment Accounts; International Journal of Business Management and Research, Rusni bt Hassan & Shafi'i Abdul Azeez Bello*

## TERMINOLOGY EXPLAINED

### Mudarabah – partnership

Mudarabah is a form of equity-based partnership. A Mudarabah agreement refers to a business contract where one party invests capital (the Rab al-Mal), and the other provides personal effort (the Mudarib): with the proportionate share in the profit determined by mutual agreement. Any financial loss is usually borne by the owner of the capital while the entrepreneur or provider of labor loses his time and effort. In a retail context, the investor is the provider of the capital while the bank is the provider of the labor.

## REDmoney Ideal Ratings Indexes

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## Regulatory landscape: Qatar

**With Islamic banking introduced in QATAR as early as 1982, the country is one of the earliest proponents of the industry – but it has taken some decades for the sector to be truly ratified into national regulation.**

Identified as a rapid growth Islamic banking market by EY, Qatar has consistently recorded double-digit growth in the sector, with a cumulative annual growth rate of 26% between 2009-13. Islamic banking was initially introduced in 1982 through the country's first fully-fledged Shariah bank, Qatar Islamic Bank. In February 2011 the regulatory authority issued a directive to all conventional banks to close their Islamic window operations and the country now operates only fully-fledged Islamic banks.

In January 2013 the Central Bank Law

No 13 (the QCB Law) came into effect to formally dictate the scope of Shariah compliant banking in Qatar for the first time. The new law expanded the supervisory powers of Qatar Central Bank as well as addressing issues including Islamic banking. It also required all Islamic financial institutions to appoint a Shariah Supervisory Board consisting of at least three scholars with the responsibility of reviewing and approving all Shariah compliant structures and activities of the bank. The concurrent Qatar Financial Markets Authority (QFMA) Law No 8 of 2012 gave the QFMA wider responsibilities to supervise the capital markets.

Islamic banks in Qatar operate under two regulatory regimes: the QCB and the QFCRA. Some Islamic banks are listed on the Qatar Exchange and are therefore also subject

to QFMA regulations. These three bodies cooperate within the College of Supervisors.

In December 2013, the three regulatory bodies launched a joint strategic plan for financial sector regulation 2014-16. These included plans to implement a new Shariah compliant deposit insurance framework; harmonize regulatory and supervisory practices; enhance licensing criteria; strengthen corporate governance standards and the role of the Shariah Supervisory Board; and enhance prudential standards and reporting on capital adequacy, solvency and liquidity.

Effective the 1<sup>st</sup> January 2016, the QFCRA's new Islamic Banking Business Prudential Rules 2015 and a revised version of the Conduct of Business Rules 2007 also came into force. (3)

## STANDARDS EXPLAINED: IFSB-2 – Capital Adequacy Standard for Institutions (Other Than Insurance Institutions) Offering Only Islamic Financial Services



**The Islamic Financial Services Board is a supranational body based in Malaysia that issues global standards to guide and advise the Islamic financial**

**services industry. To date it has published 17 Standards and six Guidance Notes. IFSB-2, issued in December 2005 with recommended implementation by 2007, defines capital adequacy standards for**

**fully-fledged Islamic finance institutions (other than insurance institutions).**

The Standard provides minimum capital adequacy requirements based on a standardized approach to credit and operational risk in line with Basel II. It does not address the Basel II supervisory review process or market discipline as these are covered in separate Standards. The Standard is divided into seven sections with each section relating to the minimum capital

adequacy requirements for both credit and market risk for a specific Islamic product or structure; in addition to a section for the provision of operational risk and the treatment of profit sharing investment accounts.

The minimum capital adequacy requirements for Islamic finance institutions is defined as 8% or greater for total capital. Tier 2 capital is limited to 100% of Tier 1 capital. (3)

## REGULATORY NEWS ROUND-UP – January 2015

The **Government of Indonesia** is to form a new national committee to develop the country's Islamic finance industry, led by President Joko Widodo. (3)

**Turkish prime minister Ahmet Davutoglu** announces plans to form an Islamic Finance Coordination Committee: comprising representatives from the Ministry of Development, the Ministry of Finance, the Central Bank, the Banking Regulation and Supervision Authority, the Capital Markets

Board, Borsa Istanbul and the Islamic Banks Association of Turkey. (3)

Indonesia regulator **Otoritas Jasa Keuangan** is preparing a new regulation requiring conventional banks to spin off their Islamic units by 2024. (3)

**Central Bank of the UAE** will begin engaging with banks nationwide for full Basel III compliance, targeted by the end of 2018. (3)

Pakistan's **Federal Board of Revenue** has been urged to issue a tax clarification ensuring no special treatment for Islamic banking. (3)

The UAE issues a new law to establish the **Emirates Global Center for Accreditation**, in order to strengthen Dubai's position as a global hub for the Islamic economy. (3)

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# Islamic Finance: Promoting The Interests Of Emerging Markets Corporates

The Kenyan capital of Nairobi last month hosted the first ministerial meeting of the World Trade Organization (WTO) in Africa – but despite hopes for progress, controversy abounded as developed nations and emerging economies battled over development proposals and pro-corporate possibilities. With tensions high and few conclusions reached, can Islamic finance step in to fill the gaping trade finance gap for the developing world?

The Islamic finance industry, which has a demonstrable interest in developing trade from and between emerging markets and developing nations, has long supported the burgeoning trade finance sector through both private sector involvement and supranational agency support. The Islamic Development Bank (the Islamic equivalent of the World Bank) through its subsidiary the Islamic Trade Finance Corporation (ITFC) generated US\$2.23 billion in 2015 to support MENA member countries – a 125% growth rate, according to its website.

In contrast the WTO, which oversees global trading rules, has come under fire for failing to support emerging markets and poorer countries, with the latest meeting no exception to the rule. The organization has long been trapped in a schism between



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**The underlying bespoke, tailored and targeted nature of Islamic finance minimizes risk in a way that conventional trade financing is unable to manage**  
 ”

developed and developing nations, typified by the ‘Doha Development Round’ talks first introduced in 2001, which aimed to reform the international trading system through the introduction of lower trade barriers and revised trading rules. Over the past 14 years these talks have stalled as tensions between rich nations seeking pro-big business reforms and poorer countries demanding development-focused goals prevented a swift conclusion. The most recent meeting failed to put this controversy to bed – with the US and EU calling for an end to the

Doha Round and a new ‘Nairobi Package’ announced that has been met with a decidedly mixed response.

## A shift in perspective

The Nairobi Package – which included a controversial agreement to end export subsidies for farming products by 2018 – generated serious concerns from the developing world and accusations of a perceived lack of support for emerging markets from the WTO. It is likely now that the institution may move towards smaller

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Continued from page 8

and more focused trade negotiations rather than the over-arching global agreement targeted by the Doha Round talks – and this is where Islamic finance, ideally suited to trade financing and already highly active in the support of developing nations, could really come into its own.

Islamic trade finance is a growing sector that receives relatively little publicity but is nevertheless returning exceptional results compared to other investment sectors, in a global economic climate that rewards arbitrage and volatility while challenging traditional investment avenues. The sector has spread its wings in recent years as the advantages of Shariah compliance and its ideal fit with the needs and challenges of trade financing are increasingly recognized.

“  
**Having serially disappointed investors for a while, commodities could well offer investors one of the most compelling investment opportunities in 2016**  
 ”

### An attractive alternative

The growing appeal of Islamic trade finance for investors is understandable when you look at the returns they are experiencing. Some strategies are achieving between a 10-11% return, while Islamic trade finance funds are springing up across the Middle East following in the wake of this success. And while the commodity price volatility has been a consistent challenge over the past year, the underlying bespoke, tailored and targeted nature of Islamic finance minimizes risk in a way that conventional trade financing is unable to manage. With the real estate market in the Middle East looking somewhat shaky, Islamic trade finance can also offer an ideal alternative for investment in tangible assets that provide a fixed income stream – which should drive more funds to be set



up this year and make the sector even more liquid for financing purposes. Islamic banks are also keen on trade finance products, as it is an area with a low rate of default, and off-balance sheet, while allowing banks to hit their lending targets, making it an attractive proposition.

Activity is already increasing. Global participation is on the up – last month a fully-fledged Islamic bank was converted in Suriname to offer Islamic financing to the South American and Caribbean market, collaborating with the Islamic Corporation for the Development of the Private Sector (an arm of the Islamic Development Bank, a supranational Saudi-based global development agency providing financial support to the Islamic world along the lines of the World Bank) to offer SME support in areas including job creation, trade, export and GDP growth.

Technology too is keeping pace and enabling the sector to expand – a UAE-based Islamic bank in November last year took its trade finance offering online with a 24/7 electronic Shariah compliant trade finance and supply chain platform that allows corporate and business customers to initiate and process trade finance transactions instantly and efficiently.

### Change on the horizon

The controversial Trans-Pacific Partnership (TPP) between 12 Pacific rim countries

(including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam) also has the potential to revolutionize global trade this year: with the Obama administration attempting to fast-track the agreement and the World Bank this week highlighting its importance. Including multiple Islamic nations, the agreement could see Islamic trade finance emerging even further into the spotlight.

With increasing interest from corporate players, investors and banks – and with developing nations receiving limited encouragement from the conventional sector in terms of global trading support, Islamic trade financing is a natural fit for any participant keen to achieve or invest in a sustainable, stable and secure line of financing – and in doing so, build relationships around the world and drive forward global trading relationships in the direction they so urgently need. ☺

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### TERMINOLOGY EXPLAINED

#### Musharakah, or joint enterprise

A Musharakah contract or transaction is essentially a joint enterprise or partnership structure that is used to replace interest-bearing loans in Islamic finance through the use of profit and loss sharing agreements. It is essentially the sharing by contract of in a given endeavor, where all parties contribute funds (unlike Mudarabah, where only one party contributes capital) and all parties share the risk and rewards. Musharakah shares some features with modern conventional partnership structures regarding voting rights and the holding of stock in a limited company. A profit share is usually recommended proportionate to the financing share. The partnership can be agreed for a fixed term or indefinitely: i.e., 'Permanent Musharakah' in which invested funds are not subject to repayment in the short-term, or 'Diminishing Musharakah' where invested funds are repaid over time based on profitability.

# Oman's debut sovereign Sukuk: A unique transaction

The Sultanate of Oman successfully priced a OMR250 million (US\$647.1 million) Islamic bond (Sukuk) on the 3<sup>rd</sup> November 2015 – its debut venture into Islamic sovereign debt market. Initially intending to issue OMR200 million (US\$517.68 million), the ministry of finance expanded the program by 25% to accommodate the strong demand — receiving a OMR336 million (US\$869.7 million) orderbook from a wide base of conventional and Islamic institutions. IFN Corporate provides you with a detailed account of this unique transaction.



**The government intends to use the issuance as the standard-bearer in order to offer the expanding Islamic financial services sector in Oman a wider range of Shariah compliant investment avenues, allowing the Islamic institutions to diversify their financing base and spread risk. The five-year paper has a 3.5% profit rate with biannual payments. The bookrunner was Bank Muscat and the lead arrangers and principal advisors were Bank Muscat, Meethaq Islamic Banking and Standard Chartered Bank. Allen & Overy and Al Busaidy, Mansoor Jamal & Co (AMJ) were legal advisors to the banks while Linklaters and Trowers & Hamlin advised the issuer. The issuance used an Ijarah structure (see Capital Markets: Sukuk Ijarah, p.X)) and was rated 'A1' by Moody's and was sold to regional GCC investors only.**

According to Mansoor Jamal Malik, a senior partner at AMJ, the main challenge faced



during the transaction was overcoming the absence of Sukuk regulations. The Capital Market Authority had released draft Sukuk regulations for comments by stakeholders but is yet to circulate a final draft to implement the regulations.

"It was particularly interesting to work with the parties involved to structure a new Shariah compliant product for the Omani market where the governing law is being developed in parallel with the transaction," explained Mansoor. "This was resolved by structuring the issuance largely by reference to the draft Sukuk regulations released by Oman's Capital Market Authority in January 2013. On procedural issues, as [the] legal counsel to the issue manager and joint lead managers, AMJ sought additional guidance in the rules on bond issues set out in the Commercial Companies Law and the Capital Markets Law."

Sukuk are usually developed using a trust structure. In this particular case however, due to the lack of legislation, the transaction was structured as an agency arrangement. Apart from being the first debt capital market

instrument in Oman to be priced through a book-building process with a uniform price auction, the Sukuk was also conducted through a private placement, although the certificates will be listed on the third market of the Muscat Securities Market. Although not part of a program, Mansoor confirmed that the Omani government has expressed intentions to follow up its initial issuance with a US dollar-denominated Sukuk issuance early in 2016.

In most jurisdictions, sovereign Sukuk issuances pave the way for corporate Islamic offerings. However, in Oman's case its sovereign paper was preceded by a corporate Sukuk from Tilal Development Company (see IFN Case Study Vol 10 Issue 47), that took place two years ago in November 2013. However, it is hoped that the sovereign issue will spur further corporate involvement in the domestic Islamic debt market and, with a Shariah compliant financing for Oman Air and a prospective Sukuk issuance for OmanTel already announced this year it looks as if the sovereign is already achieving the desired result.☺

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# Pakistan International Airline turns to Islamic market for financing

Traditionally tapping the banks for its balance sheet and cash flow requirements, Pakistan International Airline (PIA) decided last month to turn instead to the Islamic capital market, with a successful closure of a US\$120 million structured syndicated Islamic facility in late November. Speaking to Mashreqbank, the joint initial mandated lead arranger, bookrunner, investment agent and coordinator for the facility, IFN Corporate provides a detailed account of this exciting transaction.



**Utilizing a structured syndicated Islamic facility, the three-year tenor facility is secured against the irrevocable assignment of receivables from IATA and World Pay. The proceeds from the facility will be utilized to support the airline's ongoing strategic growth plans and general corporate purposes. The deal has a profit rate of three-month US dollar LIBOR plus 4% with monthly payments.**

"It has been a pleasure to work with PIA and help realize their aspirations. The successful closure of this transaction is evidence of the banking community's confidence in PIA's strategic growth plans being delivered," noted Iqbal Hassan Khanyari, the head of the international corporate division and Islamic banking for Mashreqbank. "This transaction once again reiterates the multitude of synergies developing between the Middle East and Pakistan".

Typically, PIA has raised financing from its relationship banks in Pakistan and the UAE. The latest deal received an overwhelming response from the market and was oversubscribed by a diverse set of banks spread across the GCC and South Asia – of which many were new partner banks for the airline. Participating banks and lead arrangers in the syndication included Askari Bank, National Bank of Pakistan, Noor Bank, United Bank, Warba Bank and Bank Islam Brunei Darussalam. Bank Alfalah was an arranger while Mashreqbank and Citibank acted as document agents and



coordinators. Hogan Lovells (Middle East) acted as the legal advisor.

**This transaction once again reiterates the multitude of synergies developing between the Middle East and Pakistan**

Commenting on the challenges, Iqbal said: "Arranging a syndicate comprising a diverse set of banks across the GCC and South Asia was a key challenge as the transaction involved a government of Pakistan-owned enterprise without any sovereign guarantee."

Employing about 16,000 people, PIA is one of the Republic's largest public sector entities and holds strategic importance to the government. The airline has previously raised 100% Shariah compliant secured debt instruments from international markets.☺

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# Habib Ullah, Head of Banking & Finance Group, Taylor Wessing

IFN Corporate brings you an exclusive interview with Habib Ullah, partner at Taylor Wessing and the head of the banking & finance group in the Middle East. Specializing in Islamic finance, Habib has been involved in many of the most notable Islamic finance transactions in the Middle East as well as Western Europe, and is an experienced professional in the Islamic trade finance sector. He tells us why Islamic trade finance is a compelling choice for any player in the market



**IFNC: What is the current climate for trade finance in the Gulf and globally - and how has this been affected by the current economic climate (commodity price volatility, oil prices, rate hike fears, etc.)?**

Habib: The climate if you are a lender is very positive because this is a form of finance that has very low rates of default in this part of the world. Dubai is all about trading, it always has been a trading post, so trade finance is very important in the Middle East. Even when banks aren't doing very well in other areas, they will typically do well out of trade finance because it is regarded as a form of arbitrage, and off-balance sheet, so it is a very attractive proposition.

**IFNC: What are the key drivers of GCC trade finance and where are they coming from?**

Habib: Fundamentally there has to be a trade market, so there need to be transactions happening that require liquidity. Trade finance is a cash management tool so therefore sometimes when there is a lack of cash around people can be reluctant. That is why it is seen as an arbitrage - because it allows a form of liquidity to counterparties that frees up cash. The drivers will be from banks becoming more willing to get involved. There are a lot of people interested in trade finance - and there are banks who do lending but not trade finance. There aren't that many people doing Shariah compliant trade finance yet. I think that this will change when they see the model from banks involved and they see how much money they are making. Particularly with

the way real estate is going, banks need to make money. Trade finance is an asset class that allows them to make that money, and generate good returns.

**IFNC: How are trade finance funds performing and what new opportunities are there within the trade finance investment sector?**

“ If investors are looking for a fixed income stream, I see this as being a very good solution ”

Habib: There is a lot of liquidity out there, and a lot is to do with the global quantitative easing. But people are quite nervous about what they are willing to lend against, particularly in this region. If you are a real estate investor in Dubai, you are going to be reluctant to lend against real estate here, with prices going down and rates high. There is a shortage of fixed income assets for investors to invest in. If investors are looking for a fixed income stream, I see this as being a very good solution and could increase the number of funds being set up to take part in Shariah compliant trade finance.

**IFNC: In terms of the Islamic aspect: what proportion of the trade finance market in the Gulf is currently Shariah compliant and what needs to be done to grow that market share?**

Habib: It is a business model that lends itself to Islamic finance. About 60% of what I do is Islamic.

**IFNC: What role can the GCC play to encourage and develop the Islamic trade finance sector?**

Habib: It is all about market acceptability. I don't think there are many lenders who are aware of it as a product - if they were more aware of it, and knew that it was a good source of lending with good margins, activity would increase. I don't think the regulators here need to do anything - although if they wanted to, they could potentially set up a sponsor fund, or invest in a fund themselves.

**IFNC: What is activity looking like for 2016, and what will be the biggest trends for the year? What should we look for and what are you excited about?**

Habib: I think there will be more Islamic trade finance. There is a lack of products that banks are willing to lend against and I can see banks viewing this as a very good alternative to hit their lending targets. We ourselves are looking to hire in this sector, as we have so much business and such a strong pipeline. ☺



## CAPITAL MARKETS

Oman's **Alizz Islamic Bank** has signed an agreement with **Al Osool Properties** to develop its premium ITC project, The Pearl Muscat. (📄)

## GMS secures Islamic syndicated facility

**UAE:** Gulf Marine Services (GMS) has secured a US\$620 million syndicated debt facility combining Islamic and conventional financing. The six-year term facility will replace its existing funding facilities with no changes to the previous borrowing covenants and comprises a US\$375 million term loan, a US\$175 million committed capex facility and US\$70 million for general working capital purposes; a further US\$300 million uncommitted facility has also been agreed. (📄)

Abu Dhabi Islamic Bank acted as the initial mandated lead arranger, global coordinator and sole bookrunner of the deal along with Abu Dhabi Commercial Bank as the initial mandated lead arranger and intercreditor agent, National Bank of Abu Dhabi and HSBC Bank Middle East as the mandated lead arrangers while National Bank of Kuwait, ABC Islamic Bank and First Gulf Bank acted as the lead arrangers. (📄)

## First Shariah compliant aircraft financing in Oman

**OMAN:** Meethaq has closed the long-term financing facility based on a joint venture (*diminishing Musharakah*) structure to Oman Air for the acquisition of its second Boeing 787 Dreamliner. The facility is Oman's first and only Shariah compliant aircraft finance extended to the national carrier. (📄)

**Qatar Islamic Bank** has launched a new Islamic savings product. The Shariah

compliant certificate of deposit series is available to individual and corporate customers and is available in Qatari riyal and US dollar for a tenor of two, three and five years. The minimum subscription in the CD is QAR100,000 or US \$25,000 respectively, with no maximum amount. (📄)

Bahraini Islamic insurance firm **Medgulf Takaful** has entered into an agreement with Copart Bahrain (an online auto auction company) aiming to streamline the salvage sales process and achieve higher returns and improvements in its motor portfolio. (📄)

**Rayani Air**, the first fully Shariah compliant airline in Malaysia, commenced operations last month and is considering Islamic capital raising options including a potential IPO. (📄)

## Pakistani power project funded Islamically

**PAKISTAN:** Sindh Engro Coal Mining Company (SECMC) and Engro Powergen Thar (EPTL) have contracted financing agreements with local and foreign financial institutions amounting to US\$1.5 billion for the Thar Coal Project. Under the agreement, a syndicate of local Islamic and conventional banks — led by Habib Bank, United Bank, Bank Alfalah, and Faysal Bank — will provide PKR52 billion (US\$491.94 million) for the mining project being undertaken by SECMC; and PKR22 billion (US\$208.12 million) for associate power plant being established by ETPL. The foreign syndicate, providing a loan amounting to US\$820 million, consists of China Development Bank, Construction Bank of China and Industrial & Commercial Bank of China. (📄)

## SASCO signs Islamic facility

**SAUDI ARABI:** Saudi Automotive Services Company (SASCO) completed the signing of Islamic facility agreements against a signed promissory note with local banks on the 21st December 2015. The agreements are

with Saudi Hollandi Bank for a SAR150 million (US\$39.94 million) facility comprising a medium-term loan of SAR100 million (US\$26.63 million) and letters of guarantee amounting to SAR50 million (US\$13.31 million); and Riyadh Bank's letters of guarantee amounting to SAR50 million. The facilities are intended to finance working capital requirements. (📄)

## BANKING

**Bank Audi Egypt** is set to offer a new group of retail banking products, and is studying Islamic banking products for launch this year. (📄)

The Islamic Banking Group of **National Bank of Pakistan** has opened a new branch in Lahore. (📄)

Indonesia's Bank Pembangunan Daerah Jawa Timur or **Bank Jatim** is set to spin off its Shariah unit. The process will be expedited in the fourth quarter of 2016. The separation process will require a capital injection of around IDR200 billion (US\$14.32 million). (📄)

Malaysia's **OCBC Al Amin** has inaugurated a new branch in Sarawak, East Malaysia, which also features its first Islamic premier banking center in East Malaysia. The bank also opened its first branch in Sabah, bringing its branch network nationwide to 13. (📄)

## Bank Nizwa launches Islamic credit card

**OMAN:** Bank Nizwa, in partnership with MasterCard, has launched a full suite of Shariah compliant credit cards. The four new cards — Basic, Standard, Gold, and Platinum — were developed in line with the concept of Qard Hasan, whereby a fixed monthly subscription fee will be charged to customers rather than a percentage against their outstanding balances. (📄)

# IFN ONLINE DIRECTORY



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## CORPORATE

**Qatar Islamic Bank** and **Qatar Development Bank** sign QAR100 million (US\$27.35 million) portfolio agreement to support and expand SME financing in Qatar. (P)

**Aafaq Finance** has launched a new medical equipment financing product geared specifically towards the UAE SME market. The Shariah compliant facility will be offered to key healthcare services professionals and providers and is aimed at expediting the growth of the healthcare sector. (P)

**Noor Bank**, via Noor Trade, has inked an agreement with the **Mohamed Bin Rashid Fund** (MBRF) to support the UAE's SME industry. Part of the agreement will see the Islamic bank extending financing to UAE nationals for existing ventures that have been operating for more than one year, by offering finance of up to 80% of the project cost, up to a maximum of AED5 million (US\$1.36 million). (P)

The **International Islamic Trade Finance**

**Corporation** (ITFC) and **Agroinvestbank** have entered into an MoU which will see them cooperate to develop Shariah compliant joint trade financing in Tajikistan. According to a statement, the agreement aims to promote Islamic finance through multiple Islamic finance modes and products. (P)

Kuwait's **Warba Bank** has acquired the equipment leasing portfolio of US-based **ATEL Capital Group** for US\$8.2 million. The acquisition will enable the bank to provide Shariah compliant financing solutions to ATEL's customers. (P)

The **Islamic Development Bank** is set to provide US\$270 million in financing to **Turkish Eximbank**. The facility will be guaranteed by the Turkish Treasury and aims to help Turkish exporters expand their businesses. (P)

### First Shariah compliant financing for SAIB

**EGYPT:** Societe Arabe Internationale de Banque (SAIB) is expected to confirm its first

Shariah compliant agreement with Egypt-based Social Fund for Development by early 2016. The joint enterprise (or *Musharakah*) facility will be utilized to fund small projects in Egypt. SAIB will secure an initial EGP30 million (US\$3.81 million) with the possibility of increasing the funding volume in the coming period. (P)

## SOVEREIGN

**China** is proposing a currency swap agreement with **Iran**, with plans to use it for trade activities with the Islamic Republic. (P)

**Iran** and **Azerbaijan** have signed agreements to initiate a correspondent banking relationship by the end of January. The possibility of a currency swap agreement is also under discussion. (P)

**Iran** is seeking to boost banking ties with **Russia** in order to expand trade relations. Iran's central bank has urged the formation of a panel consisting of the countries' commercial banks to investigate possibilities for the expansion of banking relations. (P)



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Published By: (P) **REDmoney**

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# Islamic crowdfunding: A viable financing model for Omani SMEs?

In Oman, the creation of an entrepreneurial culture has been at the top of the government agenda for more than a decade as a means of stimulating the creation of jobs for nationals and driving private sector growth. Support for SMEs includes a host of initiatives to improve access to finance including soft loans and government loan guarantees. Omani banks have also launched a number of new finance products and facilities for SMEs, both conventional and Shariah compliant, following a Central Bank of Oman (CBO) directive in 2012 to allocate 5% of their outstanding credit to finance SMEs. MANSOOR JAMAL MALIK, senior partner with leading Omani law firm AL BUSAIDY, MANSOOR JAMAL & CO, offers us his insights.

Despite the recent measures, according to a survey of SMEs carried out for a recent Central Bank of Oman (CBO) report, access and time to and the costs of funding ranked as a key challenge. 84% of respondents stated that business loan approval took approximately six months and more than 50% respondents confirmed that they pay interest on such loans in excess of 5%. In addition, 86% of banks surveyed expressed a clear preference for financing existing established businesses or start-ups with government contracts in hand. They ranked early-stage start-ups last in terms of lending preference. According to the report, a staggering 75% of SMEs filled the resulting funding gap from their own savings and/or by borrowing from friends and family. This calls to mind the early roots of crowdfunding in the developed world which began as an online extension of traditional financing by friends and family to fund members with business ideas.

Recognition of this funding gap, especially for early stage start-ups, is generating interest in the development of an alternative SME finance market in Oman. So far discussion has focused on the benefits of developing a venture capital (VC) market to service manufacturing and technology



hubs. The report recommends the setting up of VC forums and workshops under the CBO's remit to bring together VC investors and entrepreneurs for this purpose. VC firms typically invest large sums of money in companies with high growth potential operating in competitive sectors in return for an equity stake in the company. The disadvantage of VC for the entrepreneur is that, as well as forfeiting ownership of a part of the business, he/she is often required to grant control rights (seat on the board and voting privileges) and priority ranking on liquidation to the VC investor. For these reasons, VC as an alternative to conventional bank funding, is unlikely to appeal to the majority of Omani start-ups and small businesses.

These hurdles that Omani SMEs experience in accessing finance have much in common with those that hamper small businesses worldwide and that have fuelled the surge in popularity of crowdfunding in recent years. Today, crowdfund investing (CFI) for financial return based on debt and equity models has emerged as a viable alternative to conventional financing as well as donation and pledged-based crowdfunding. Web-based CFI harnesses the power of technology and social networks to tap into a wide investor pool across national boundaries as well as to streamline and centralise the entrepreneur's fund raising endeavours. It has developed into a global, multi-billion dollar industry with around 1250 platforms channelling billions of dollars to businesses, organisations or individuals for seed finance, product development and social causes around the world. Overall crowdfunding volumes have more than doubled annually since 2012 reaching an estimated US\$34 billion in 2015 and are set to overtake VC in 2016. The World Bank forecasts the industry to reach \$93 billion by 2020. As it grows in size, CFI is also attracting the interest of and VC investors since it provides proof of concept and efficiencies in evaluating the investment.

While the US continues to account for almost 50% of expected total industry funding and



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82% of growth, Asian markets are predicted to have grown by a phenomenal 210%, eclipsing Europe and Africa markets to become the second largest region by volume at approximately US\$10.5 billion in 2015. Over the past two years, Islamic crowdfunding has recorded impressive growth in Muslim countries and western financial markets reaching an estimated value of US\$25 million globally in 2015. Crowdfunding platforms have sprung up in Jordan, Egypt, Lebanon and the UAE as well as Malaysia, Singapore, Indonesia, the UK and the US. The fastest-growing model has been equity-based crowdfunding (ECF) with the financial return coming in the form of dividends and/or capital growth for the crowd investor. In 2015, Malaysia alone licensed six ECF platforms for small businesses and entrepreneurs. Islamic scholars have stated that, with the exception of debt-based platforms, crowdfunding is compliant with Islamic finance principles provided that the project funded is itself Shariah compliant. As Islamic finance is by definition geared towards social enterprise and the creation of shared value within society it aligns perfectly with the socially responsible, shared-community ethos of crowdfunding. This synergy has boundless appeal for millions of young, tech-savvy Muslims worldwide and as well as cross-over appeal for non-Muslim investors seeking sustainable ethical investment opportunities.

The success of Islamic crowdfunding is also likely to resonate with a young, social-media engaged, population of Omani entrepreneurs and investors and the penetration. Despite Oman's comparatively late entry to the Islamic finance market in 2013, the public's appetite and enthusiasm for Shariah compliant products and services is evident from the high growth rate of the country's two Islamic banks and six Islamic window operations (65.9 per cent as at the end of September 2015, over the same period in 2014). However, the viability of CFI in Oman, as with any alternative finance model, would depend on the existence of enabling government policies, regulations and legislation. Many of the features of Shariah compliant ECF align with the Oman government's SME financing strategy; improved access for SMEs to financing and the capital markets; valuation of SME businesses; adoption by SMEs of best corporate governance practices. Oman's Capital Markets Authority (CMA) in particular has championed access to the capital markets for small investors and exposure for all market participants to potentially high-growth publically listed companies in terms.

Regulation of ECF in Oman where funding is intended to be raised through a form of public offering would fall mainly under the remit of the CMA. Despite the inevitable challenges involved in gaining acceptance



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**Over the past two years, Islamic crowdfunding has recorded impressive growth in Muslim countries and western financial markets reaching an estimated value of US\$25 million globally in 2015**  
”

and developing a regulatory framework for this innovative alternative financing method, precedents do exist. ECF regulatory regimes pioneered in Australia, Europe and the US, and more recently, Malaysia, provide precedents on ways to strike a balance between access to funds for entrepreneurs and protections for investors. Most amend existing capital market regulations to legalise crowdfunding and to reserve the running of equity crowd-funding portals to licensed financial intermediaries. As well as strict requirements imposed on portal operators, restrictions are included on the type of company, number and type of investor and maximum level of investment. They mandate full product and platform disclosure, due diligence and the monitoring of investments, record keeping and investor education materials. Potentially all of these matters would need to be encompassed by amendments to Oman's Capital Market Law (Royal Decree 80/1998 as amended) so as to facilitate the introduction of ECFs. Crowdfunding as a means of inviting investments from the public, whether in the form of equity or debt for onward funding purposes, would also need to comply with Oman's Banking Law and CBO

regulations particularly if the activity could be construed either directly or indirectly as banking business as defined by the Oman Banking Law. Additionally, an amendment to Oman's Commercial Companies Law may also be required so as to permit private limited liability companies, as opposed to public joint stock companies, undertaking crowdfunding privately other than through a public offering or CMA-licensed crowdfunding platforms. Hand-in-hand with the development of a regulatory framework for CFI, the technical infrastructure for the operation of online portals and management of the investment process would need to be procured and developed in line with best international practices.

In conclusion, the emergence of Shariah compliant ECF as a new Islamic finance investment vehicle and its growing success globally, presents an opportunity for Oman to legislate for its introduction and share in a phenomenon that is re-shaping the entrepreneurial finance landscape around the world. ☺

*This article was contributed by Mansoor Jamal Malik, senior partner with Al Busaidy, Mansoor Jamal & Co (AMJ). If you would like to contact AMJ to discuss the content of this article or enquire about the services they provide, please contact the firm at mansoor.malik@amjoman.com.*

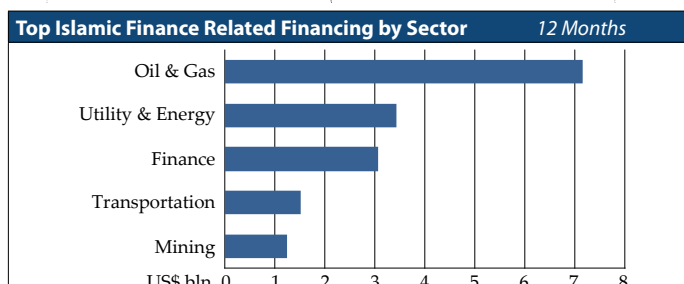
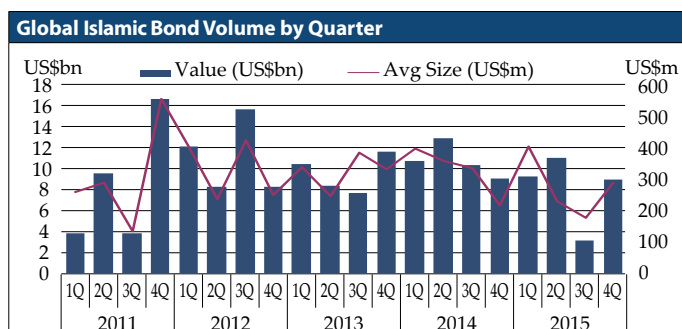
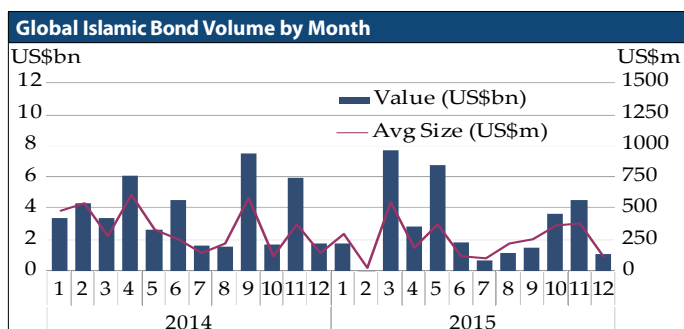
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<sup>ii</sup> Crowdfunding Industry Report, Massolution 2015

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<sup>iv</sup> Islamic Crowdfunding – a Global Perspective from Singapore, Umar Munshi, Crowdfundinsider.com, 2015

Top 15 Issuers of Global Islamic Bond							12 Months
Issuer	Nationality	Instrument	Market	US\$ (mln)	Iss	Managers (%)	
1 Jimah East Power	Malaysia	Sukuk	Domestic market public issue	2,100	6.4	HSBC, Maybank, CIMB Group	
2 Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,000	6.1	JPMorgan, HSBC, Dubai Islamic Bank, CIMB Group	
3 Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,750	5.3	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank, First Gulf Bank, Maybank	
4 Danalnfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,670	5.1	RHB Capital, Maybank, CIMB Group, Affin Investment Bank, AmlInvestment Bank, HSBC	
5 Malaysia Sovereign Sukuk	Malaysia	Sukuk	Euro market public issue	1,500	4.6	Standard Chartered Bank, HSBC, CIMB Group	
6 IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,336	4.1	Saudi National Commercial Bank, Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, RHB Capital, Dubai Islamic Bank, Gulf International Bank, Natixis, CIMB Group	
7 Petronas Global Sukuk	Malaysia	Sukuk	Euro market public issue	1,250	3.8	JPMorgan, Deutsche Bank, Morgan Stanley, HSBC, Maybank, Mitsubishi UFJ Financial Group, CIMB Group, Citigroup, Bank of America Merrill Lynch	
8 National Shipping Co of Saudi Arabia	Saudi Arabia	Sukuk	Domestic market public issue	1,040	3.2	JPMorgan, HSBC, Samba Capital	
9 Hong Kong Sukuk 2015	Hong Kong	Sukuk	Euro market public issue	1,000	3.1	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group	
9 Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	1,000	3.1	JPMorgan, National Bank of Abu Dhabi, Citigroup, Al Hilal Bank	
11 Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	999	3.1	RHB Capital, Kenanga Investment Bank, CIMB Group, Affin Investment Bank, AmlInvestment Bank, MayBank	
12 Danga Capital	Malaysia	Sukuk	Domestic market public issue	992	3.0	RHB Capital, CIMB Group	
13 Khadrawy	UAE	Sukuk	Euro market public issue	913	2.8	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD	
14 Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	2.3	Standard Chartered Bank, HSBC, Citigroup, QInvest, Barwa Bank, Noor Bank	



Top Islamic Finance Related Financing by Country					12 Months
Nationality	US\$ (mln)	No	%		
1 UAE	7,498	21	35.0		
2 Saudi Arabia	5,769	5	26.9		
3 Malaysia	3,086	4	14.4		
4 Turkey	1,912	4	8.9		
5 Qatar	1,200	3	5.6		
6 Pakistan	456	3	2.1		
7 Egypt	382	2	1.8		
8 Kuwait	362	2	1.7		
9 Cayman Islands	325	1	1.5		
10 Jordan	275	1	1.3		

Top Islamic Finance Related Financing Deal List				12 Months
Credit Date	Borrower	Nationality	US\$ (mln)	
30 <sup>th</sup> Mar 2015	Saudi Aramco	Saudi Arabia	9,999	
16 <sup>th</sup> Mar 2015	Rabigh Refining & Petrochemical	Saudi Arabia	2,870	
15 <sup>th</sup> Jan 2015	SapuraKencana TMC	Malaysia	2,239	
24 <sup>th</sup> Jun 2015	Jazan Gas Projects	Saudi Arabia	1,790	
18 <sup>th</sup> Jun 2015	Emirates National Oil	UAE	1,500	
10 <sup>th</sup> Mar 2015	Port & Free Zone World	UAE	1,100	
17 <sup>th</sup> Apr 2015	Turkiye Vakiflar Bankasi	Turkey	1,021	
28 <sup>th</sup> Jul 2015	GEMS Education	UAE	817	
24 <sup>th</sup> Dec 2015	Sindh Engro Coal Mining Engro Powergen	Pakistan	800	
16 <sup>th</sup> Aug 2015	ACWA Power International	Saudi Arabia	769	



### Most Recent Global Islamic Bond

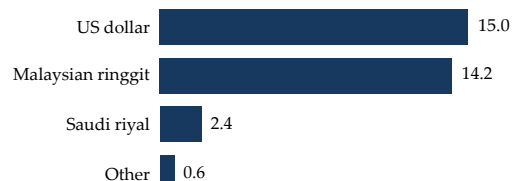
Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
21 <sup>st</sup> Dec 2015	Cagamas	Malaysia	Sukuk	Domestic market public issue	101	Maybank
15 <sup>th</sup> Dec 2015	Samalaju Industrial Port	Malaysia	Sukuk	Domestic market public issue	161	CIMB Group
14 <sup>th</sup> Dec 2015	Perodua Global Manufacturing	Malaysia	Sukuk	Domestic market public issue	162	Maybank
3 <sup>rd</sup> Dec 2015	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	459	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group, AmInvestment Bank
26 <sup>th</sup> Nov 2015	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	238	RHB Capital
24 <sup>th</sup> Nov 2015	Albaraka Turk Katilim Bankasi	Turkey	Sukuk	Euro market public issue	250	Standard Chartered Bank, Nomura, Dubai Islamic Bank, Emirates NBD, QInvest, Barwa Bank, Noor Bank
23 <sup>rd</sup> Nov 2015	Jimah East Power	Malaysia	Sukuk	Domestic market public issue	2,100	HSBC, Maybank, CIMB Group
13 <sup>th</sup> Nov 2015	Cagamas	Malaysia	Sukuk	Domestic market public issue	114	CIMB Group
12 <sup>th</sup> Nov 2015	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	500	Deutsche Bank, CIMB Group
3 <sup>rd</sup> Nov 2015	MMC Corporation	Malaysia	Sukuk	Domestic market public issue	279	RHB Capital

### Top Islamic Finance Related Project Finance Mandated Lead Arrangers

	Mandated Lead Arranger	US\$ (million)	No	%
1	Sumitomo Mitsui Financial Group	1,354	1	25.2
2	HSBC	750	3	13.9
3	Riyad Bank	417	1	7.8
4	Mitsubishi UFJ Financial Group	354	1	6.6
4	Mizuho Financial Group	354	1	6.6
6	Banque Saudi Fransi	346	2	6.4
7	Mashreqbank	224	2	4.2
7	Union National Bank	224	2	4.2
9	First Gulf Bank	210	1	3.9
10	BNP Paribas	104	1	1.9

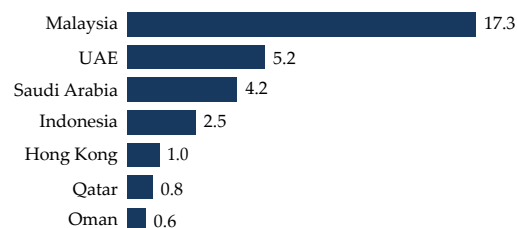
### Islamic Bond Volume by Currency US\$ (billion)

12 Months

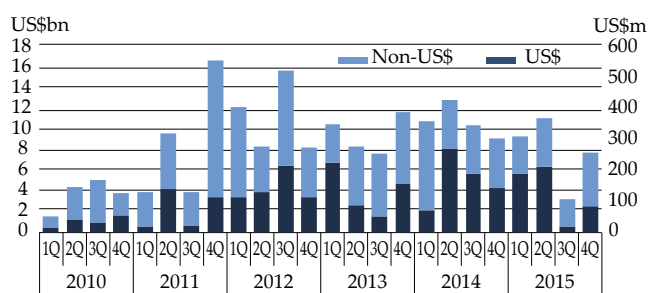


### Islamic Bond Volume by Issuer Nation US\$ (billion)

12 Months

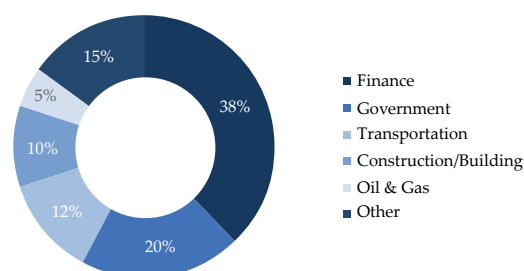


### Global Islamic Bond Volume - US\$ Analysis



### Global Islamic Bond Volume by Sector

12 Months



If you feel that the information within these tables is inaccurate, you may contact the following directly: Shireen Farhana (Media Relations)  
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