

Sukuk take center stage for embattled issuers

It's been a busy month for the Sukuk sector, and activity around the globe is heating up. We shine a spotlight on some of the most interesting developments of the past four weeks in the Islamic debt capital market – from sovereign issuance to corporate convertibles – bringing you the very latest and most relevant insights into the world of Shariah compliant capital-raising.



Bahrain casts conventional bond aside in favor of Islamic issuance

A notable development in March was the decision from the Central Bank of Bahrain to shelve its plans for a conventional dollar bond issuance in favor of a US\$1 billion Islamic bond issuance. Although this choice may not seem to have immediate relevance for the corporate crowd, its impact is in fact more significant than first appearances might suggest.

Despite initial plans for both a conventional and Islamic tranche, on the 28th March Bahrain sold US\$1 billion in 7.5-year Sukuk (with an orderbook of around US\$2.2 billion) but decided against the proposed conventional bond sale due to high pricing demands from investors.

What does that mean? Well, Bahrain currently has the worst fundamentals of the GCC states and is struggling with low oil price pressure and economic

headwinds. In the past it has always been able to raise comfortably in the international markets – in September 2017 it raised US\$3 billion in conventional bonds with orders exceeding US\$15 billion. This time round, however, wary investors demanded a premium to hold the debt – pushing Bahrain into the arms of Islamic investors, whose appetite for Shariah compliant paper is still ardent.

The sovereign issuance closed with a yield of 6.875% - around 55bps above fair value, according to research from Dubai's Mashreqbank. However, the success of the Islamic issuance compared to the conventional highlights the welcoming environment for Shariah compliant capital raising, especially for firms with lower grade ratings or those struggling in the current economic climate. While this time round may have been a state affair, the results are worth bearing in mind for any

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Malaysia is well-known for its strong Islamic banking proposition and supportive regulatory climate – and in 2018 the retail proposition is going from strength to strength as new banks convert to Shariah compliance, existing banks step up their game and consumer sentiment encourages further growth. This month we take a look at the state of play in one of the world's premier Islamic markets.

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corporates seeking funds. Right now, Islamic funding in the Gulf is looking cheaper, faster and more efficient than its conventional counterpart.



The Sukuk offers a Shariah compliant platform that is appealing and reassuring to a larger spectrum of investors, and most importantly to our shareholders.



Convertible Sukuk: What's the big deal?

In March 2017, veteran issuer Drake & Scull International (DSI) announced plans to issue a Sukuk facility convertible into equity. Due in the second quarter of 2018, the convertible Sukuk will have an indicative value of minimum AED450 million (US\$122.5 million) or the equivalent in other currencies, and be issued either as a private placement or public issuance to be converted to shares

over a maximum period of five years, at a price of AED3 (81.67 US cents) per share or at a discount of 25% of the market price of the share, to be determined at the time of conversion.

"The Sukuk issuance comes within the framework of the strategic plan approved by the board of directors of the company, as a succession of the restructuring and recapitalization efforts implemented to secure the required funding for the ongoing and future projects portfolio in the region," said Rabih Abou Diwan, investor relations director at the Dubai-based construction giant. "The key



Right now, Islamic funding in the Gulf is looking cheaper, faster and more efficient than its conventional counterpart



objective is diversification of our financing and the Sukuk offers a Shariah compliant platform that is appealing and reassuring to a larger spectrum of investors, and most importantly to our shareholders."



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So what is the appeal of convertible Sukuk? We have seen these structures become increasingly popular over the last few years in the Islamic space, as receptive market conditions chime with a growing acceptance from sophisticated investors of a wider variety of Sukuk structures. Malaysian sovereign wealth fund Khazanah is a regular issuer of convertible and exchangeable Sukuk, and appetite is now also rising in the Middle East – in January Sharjah Islamic Bank sold AED266.8 million (US\$72.63 million) in convertible Sukuk in order to increase its share capital. Deals are still few and far between, but they mark a resurgence of interest following a fallow period of over a decade since Dubai Ports made waves with its one-of-a-kind US\$3.5 billion convertible Islamic issuance back in 2006. So why the sudden interest?

“**The success of the Islamic issuance compared to the conventional highlights the welcoming environment for Shariah compliant capital raising, especially for firms with lower grade ratings or those struggling in the current economic climate**”

Convertible bonds offer an attractive combination of debt and equity, with an embedded option to convert into stock



once a company's share price crosses a certain point. They provide a cheaper source of debt for issuers than corporate bonds, because the equity option has a value to the investor, resulting in a lower coupon rate for the issuer – an attractive option for corporate capital raisers. The instrument is also highly flexible, offering exposure across asset classes, with versatile terms that can be tailored for individual issuers. Rising interest rates are currently creating an optimum environment, and with built-in market timing to provide downside protection, convertibles could be the next big thing.

New Sukuk fund heads for Oman

Meethaq Bank and Azimut Group have signed a partnership to promote the Global Sukuk Fund (GSF) in Oman – a move that unequivocally demonstrates the growing popularity of Islamic debt, and the eager appetite from investors worldwide.

The first global Sukuk fund to be offered in Oman, GSF is one of the world's largest funds investing in Sukuk, with

assets under management (AUM) worth over US\$190 million and an income distribution yield topping 5%. As of 2017, the Luxembourg-domiciled fund operates across Europe, Asia and the Middle East through strategic partnerships with local financial institutions.

“**Convertible bonds offer an attractive combination of debt and equity, with a embedded option to convert into stock once a company's share price crosses a certain point**”

“The partnership heralds niche Islamic investment products in Oman,” said Sulaiman Al Harthy, the deputy CEO of Islamic Banking at Meethaq. ☺

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IFSB tackles new capital market standard

In a move that should bring joy to the hearts of corporate issuers everywhere, the Islamic Financial Services Board (IFSB) has confirmed that it is currently considering a draft proposal to regulate Shariah compliant capital market products. What does this mean? Simply the next step in the standardization of Islamic capital markets provision – making it even easier, faster and more efficient to raise funds Islamically.

The Malaysia-based IFSB issued three long-awaited draft proposals at the end of March concerning the regulation of Shariah compliant capital markets products. These cover the supervisory review process of Islamic insurance, an updated standard on disclosure and transparency for institutions offering Islamic finance and – most pertinently for corporate issuers – a set of fundamental principles for the regulation of Islamic capital markets products.

ED-21: Core Principles for Islamic Finance Regulation [Islamic Capital Market Segment] has the primary objective to provide a set of core principles for the regulation and supervision of the Islamic capital market (ICM), taking into consideration the specificities of Islamic finance, while complementing the existing international standards, principally International Organization of Securities Commissions (IOSCO) 'Objectives and Principles of Securities Regulation' and its 'Methodology' (May 2017). In particular, the objectives of the CPIFR- Islamic Capital Markets are:

1. To provide a minimum international standard for sound supervisory practices for the regulation and assessment of the ICM;
2. To protect consumers and other stakeholders by ensuring that the claim to Shariah compliance made explicitly or implicitly to any ICM product or service is sound and supported by appropriate disclosures;
3. To enhance the soundness and stability of the ICM – as an integral part of the Islamic financial services industry (IFSI) and the global financial system – by helping regulators and supervisory authorities to assess the quality of their relevant supervisory systems and identify areas for improvement as an input to their reform agenda.

The move is intended to bring more clarity to the question of Shariah non-compliance, particularly in the wake of



“
The new exposure draft from the IFSB represents one of the most comprehensive attempts so far to offer regulated dispute resolution when it comes to Islamic products
 ”

disputes between Sukuk issuers and investors such as in the recent case of Dana Gas, which made headlines last year for all the wrong reasons when the issuer refused to pay its Sukuk creditors claiming non-compliance.

The new exposure draft from the IFSB represents one of the most comprehensive attempts so far to offer regulated dispute resolution when it comes to Islamic products – primarily due to a landmark step that would extend compliance responsibility to national regulators.

The draft standard is currently undergoing a two-month public consultation period, running from the 28th March to the 28th May, following the approval of the IFSB Technical Committee in its 44th Meeting held in Bandar Seri Begawan, Brunei Darussalam on the 22nd March 2018. The IFSB is inviting comments from regulatory

and supervisory authorities, international organizations, institutions offering Islamic financial services, academics and interested members of the public.

A public hearing was also held in Jakarta, Indonesia on the 10th April, 2018 to provide industry stakeholders with more details on the draft document, as well as to solicit feedback on its contents, prior to its final submission to the IFSB Council in December 2018. ☺

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Eye on Malaysia: Islamic banks drive retail growth

Malaysia is well-known for its strong Islamic banking proposition and supportive regulatory climate – and in 2018 the retail proposition is going from strength to strength as new banks convert to Shariah compliance, existing banks step up their game and consumer sentiment encourages further growth. This month we take a look at the state of play in one of the world's premier Islamic markets.

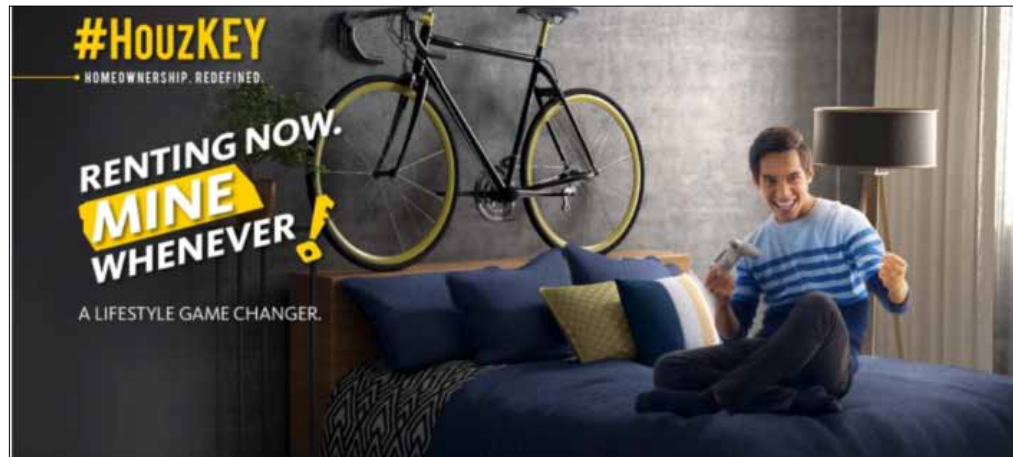
The Islamic banking industry in Malaysia recorded an impressive 10.3% financing growth over the past year - substantially ahead of the 1.7% growth seen by conventional banks in the same period. The market share of Islamic banks in Malaysia reached 28% in 2017 – four times the size of its 2010 share of 7.1%.

“Our analysis shows that Islamic financing has overtaken conventional loans as the growth driver for the domestic banking system in recent years. Islamic financing accounted for 71% of the increase in the banking system's financing in 2017, as several major players’ “Islamic First” strategy gained further traction,” noted Wong Yin Ching, the co-head of financial institution ratings at RAM Ratings.

The strong growth momentum for Islamic financing is expected to continue in 2018 – with expansion coming in at the mid-to-high teens, premised on improving consumer sentiment and steady business optimism. Growth is also expected to derive from the ambitions of existing players in the market – such as the increase in Malaysia Building Society (MBSB)'s Islamic financing portfolio, recently acquired through the 2018 merger with Asian Finance Bank, which could augment the Islamic banking system's financing by up to 7%.

Asset quality also remains high – as at the end of January 2018, Islamic banks had a healthy gross impaired financing ratio of 1.2%. The adoption of a new Malaysian Financial Reporting Standard (MFRS 9) on the recognition and measurements of financial instruments could potentially lead to an uptick in steady-state credit costs, but the impact is expected to be manageable.

Islamic banks in Malaysia currently have a healthy common equity Tier 1 capital ratio of 12.5%, while deposits expanded by 14.2% year-on-year in 2017 (compared to a 3.8% increase the previous year), largely due to stronger corporate earnings. Some major players are also now shifting towards a focus on deposit mobilization instead of investment accounts (IAs), which although capital-efficient, attract higher funding costs due to their



Maybank's pilot RTO scheme is the result of Malaysia's new VBI strategy

uninsured status – requiring Islamic banks to strike a balance between capital savings and margin protection. Some margin compression is therefore expected throughout the year as banks compete for retail and SME deposits. However, this is likely to be good news for corporate customers, who could see the cost of retail products decline as competition increases between banks.

“Islamic banks in Malaysia currently have a healthy common equity Tier 1 capital ratio of 12.5%, while deposits expanded by 14.2% year-on-year in 2017

Finally, a change is coming with Bank Negara Malaysia's latest move to steer players towards sustainable intermediation. In March 2018 the central bank finalized its Value-Based Intermediation (VBI) principles, aiming to define and deliver the intended outcomes of Shariah compliance through “practices, conduct and offerings that generate a positive and sustainable impact on the economy, community and environment – without compromising the financial returns to shareholders and their long-term interests”.

The implementation of these principles could necessitate a paradigm shift in how banks provide financing and other financial services, as well as changes in business processes. At the time of writing, nine Islamic banks have already committed to adopting the VBI principles in their business strategies.

The strategy is expected to take Islamic banks in Malaysia to the next level of retail growth.

“While we have come a long way, now we need to think of ‘what's next?’” said Bank Negara deputy governor Abdul Rasheed Ghaffour at a recent VBI dialogue with the industry. “From Bank Negara's perspective, we believe the way forward to propel the Islamic finance industry to the next level of growth — if I may, a game changer — should give equal weight to both economic value creation and upholding ethical values. That is why we have embarked on VBI.”

The pioneering new approach will give a stronger weighting to products and services with an environmental and social benefit: such as green technology financing and rent-to-own (RTO) home financing schemes. Some pilot projects have already been launched, such as the recent RTO HouzKEY project from Maybank Islamic, the country's largest lender. To encourage these schemes, the government has already committed to a 100% stamp duty exception for successful applicants – a move that is likely to further boost the retail Islamic banking book. (F)

Islamic fintech: A corporate opportunity

Fintech in the Islamic space might be in its early stages, but it has the potential not only to revolutionize outreach and uptake, but to radically streamline business processes – saving corporates money by reducing the cost of everyday business banking. So what is out there so far – and what should you be looking for?

Yes, fintech is the big buzzword in today's financial landscape. Yet while it is usual to associate fintech with disruptive, mobile and tech-based solutions that offer alternatives to traditional banking models, this does not have to be the case. At its core, fintech is simply the digitization of financial services through innovation – changing and improving the offering of financial products and services by making them more affordable, easier to access and better targeted to specific needs and requirements. What's not to like?

According to a March 2017 report by Wamda Research Lab and payment service provider Payfort, there were 105 fintech start-ups across the Middle East and North Africa in 2015 - up from just 46 in 2013, and expected to increase to 250 by 2020. Fintech start-ups in these regions planned to raise US\$50 million in 2017, after raising just US\$100 million over the previous decade. Asia is even further ahead – the Islamic Fintech Alliance brings together eight platforms active across the region, the Fintech Association of Malaysia also supports Shariah compliant initiatives, while the recently signed MOU between research and tech agency MIMOS and the International Center for Education in Islamic Finance is expected to develop a strong blueprint for Islamic finance-based investment technology in order to support the growth trajectory of the specialized banking business.

“We believe that these efforts will be supportive of the overall banking sector over the coming years and forecast loan growth to average 6.5% over the next five years,” noted BMI Research. Malaysia's second largest Islamic bank, MBSB Bank, is set to launch fintech capabilities by the third quarter of 2018 to enable customers to use fintech for the purchase of wealth management products and trade facilities.

This convergence between Islamic banks and fintech capabilities is a growing trend, and one that could catapult this new technology into the mainstream. In Bahrain, over 35 banks and sponsors have supported the Bahrain Fintech Bay initiative, the largest dedicated fintech hub in the Middle East – while in December 2017, Islamic banks



KFH Bahrain, Al Baraka Banking Group and Bahrain Development Bank joined forces to create a new R&D firm specifically targeted with developing the Shariah compliant fintech sector.

“**Solutions such as Malaysia's PayHalal offer a Shariah Compliant Fintech API Platform solution, allowing users to make and receive payments via partner Islamic banks**”

But what can Islamic fintech offer corporate players? Crowdfunding, peer-to-peer lending and robo-advisory investment services are all very well, but unless you are an SME seeking start-up funding, these flagship fintech projects may not be directly relevant to your business operations. So what else is out there?

In fact, more than you might think.

Based on data from the IFN Islamic Fintech Landscape, the current Islamic fintech segment can be categorized into nine verticals: crowdfunding; banking software; payments, remittance and forex; personal finance management, trading and

investment; alternative/peer-to-peer finance; blockchain and cryptocurrency; challenger/digital banking; insurtech; and data and analytics.

While some of these may not be on your radar, others could make a genuine impact on your bottom line. For example, solutions such as Malaysia's PayHalal offer a Shariah Compliant Fintech API Platform solution, allowing users to make and receive payments via partner Islamic banks while providing merchants with instant secure payments to expand market penetration. For retail players, this could be a compelling new way to appeal to Muslim customers and connect with Islamic banks to ensure a seamlessly Shariah compliant payment process from start to finish.

In the UK, new digital Islamic insurance platform InsureHalal is already offering its first retail product, a home and landlord insurance policy, that could provide peace of mind to companies owning and lending property. “The market is ready for new products and new services in this sector,” said CEO and founder Faizal Karbani. “We have seen a lot of interest from people who want to participate now that they understand the proposition, market size and demand. What you will see in the next four to five years is a lot of other players entering the market and a lot more products available.”

Islamic fintech might be a niche sector at the moment, but its star is rising and its business applications expanding apace.☺

Islamic structures support Malaysian infrastructure spending

On the 16th March 2018 Malaysian engineering, property and infrastructure company Gamuda, one of the country's largest infrastructure providers, tapped the Islamic debt capital market during a time of tough competition to achieve an impressive price and a strong investor reception, demonstrating the continued appetite for Islamic paper even in an overstocked market.



The RM400 million (US\$103.16 million) five-year facility was based on the straightforward concept of cost-plus-profit (Murabahah), using a reverse structure (Tawarruq) based on commodity purchase through deferred payment in order to raise cash. A popular contract in the Malaysian market, the structure was selected for its familiarity to investors and its ease of set-up.



The success of the deal showcases the continued appetite for high quality Islamic assets in the domestic market

"This is a tried and tested structure in the Malaysian market and the structure does not 'lock up' the assets of the company unlike other Islamic structures, for example Ijarah [lease-based]," explained a spokesperson from CIMB Investment Bank, one of the lead managers and principal advisors of the transaction.

What was notable about the Gamuda deal, however, was its success in a saturated market. The transaction was completed at the same time as numerous other Sukuk hit the local market – many from well-known and repeat issuers with strong credit stories, including Maybank Islamic, Al Dhazab Assets, Aeon and Bina Darulaman, in addition to new Islamic liquidity facilities released by the central bank.

"The transaction was executed on an accelerated basis amidst [a] competing supply of papers," confirmed CIMB. Despite the heavy pipeline however, Gamuda achieved a profit rate of 4.79% - even lower than the rate of 4.83% for its previous five-year Sukuk issued in October 2017.

This is a tried and tested structure in the Malaysian market and the structure does not 'lock up' the assets of the company

Rated 'AAA3' by RAM Ratings, and privately placed, the success of the deal showcases the continued appetite for high quality Islamic assets in the domestic market. ☺



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CORPORATE

ALAWWAL BANK INKS FINANCING AGREEMENT

SAUDI ARABIA: Abdullah A M Al-Khodari Sons Company has renewed its Islamic credit facilities agreement with Alawwal Bank, according to a bourse filing. The agreement, which includes a Murabahah financing, is worth SAR330 million (US\$87.96 million).

BOUSTEAD ISSUES SUKUK

MALAYSIA: Boustead Holding has raised RM150 million (US\$38.46 million) via the issuance of a Sukuk Murabahah facility. The three-year paper has a profit rate of 5.7% and matures on the 23rd April 2021.

WCT HOLDINGS ISSUES PAPER

MALAYSIA: WCT Holdings has issued an Islamic medium-term note (IMTN) worth RM310 million (US\$79.69 million) with an eight-year tenor.

UMW LOOKS TO THE LONG-TERM

MALAYSIA: UMW Holdings has issued a 100-year Islamic medium-term note (IMTN) worth RM1.1 billion (US\$282.76 million). The Musharakah paper, arranged by CIMB Investment Bank, is rated 'A1' by RAM Ratings and carries a profit rate of 6.35%.

AEON ISSUES ICP

MALAYSIA: Aeon has issued a RM100 million (US\$25.71 million) Islamic commercial paper (ICP) maturing on the 18th May 2018. The paper was arranged by Maybank Investment Bank.

NOOR BANK SUKUK OVERSUBSCRIBED

UAE: Noor Bank's five-year US\$500 million Sukuk facility was oversubscribed 2.1 times with an orderbook of US\$1.07 billion. The senior unsubordinated transaction was initially priced in the 175bps area over midswaps. After the strong orderbook, the

pricing was tightened to five-year midswaps plus 165bps, with a profit rate of 4.47%. The issuance received 50 bids across a diverse group of investors that included one-third from outside the Middle East.

UEM EDGENTA ESTABLISHES PROGRAMS

MALAYSIA: UEM Edgenta rolled out two Islamic debt capital market programs: an Islamic commercial papers program and an Islamic medium-term notes program for a combined amount of up to RM1 billion (US\$257.14 million).

SKYWORLD ISSUES ICP

MALAYSIA: Skyworld Capital issued a 91-day Islamic commercial paper for the amount of RM15 million (US\$3.86 million).

JOHOR PORT RAISES FUNDS

MALAYSIA: Johor Port issued a 10-year Islamic medium-term note for RM50 million (US\$12.92 million) on the 11th April 2018. The unrated paper matures on the 20th October 2027 and was arranged by Maybank Investment Bank.

YONG TAI TO ISSUE SUKUK

MALAYSIA: Property developer Yong Tai has established a 20-year Islamic medium-term note program for RM1 billion (US\$258.34 million) in nominal value. The program will allow Yong Tai to issue Sukuk under different tranches from time to time that may be unsecured or secured by different pools of assets or securities. The program has Kenanga Investment Bank as the principal advisor, lead arranger and lead manager.

AGHA STEEL TO FLOAT SUKUK

PAKISTAN: Agha Steel is planning to issue a Sukuk facility. Bids from qualified institutional buyers for the Sukuk, which has a size of up to PKR5 billion (US\$43.12 million) inclusive of a green shoe option of PKR1 billion (US\$8.62 million) and a tenor of six years including a grace period of two years, will be received until the 30th April.

Habib Bank and Bank AL Habib have been hired as the mandated lead advisors and arrangers for the rated and secured paper

BANKING

NEW ENTRANTS TO SAUDI BANKING INDUSTRY

SAUDI ARABIA: Two foreign banks offering Shariah compliant services have set up shop in Saudi Arabia: US-based Citigroup and UAE's Emirates (NBD). Citigroup, returned to the Kingdom after a 14-year hiatus with a branch in Riyadh while Emirates NBD launched its inaugural branch in Jeddah. The UAE bank will be providing retail, private, business and wholesale banking in the Kingdom, along with corporate finance advisory, project and syndicated finance facilities through Emirates NBD Capital, its investment banking arm. Emirates NBD plans to open a branch in Khobar and a second branch in Riyadh.

EMIRATES NBD PIONEERS NEW SOLUTION

UAE: Following a successful pilot last year, Emirates NBD has gone live at scale with its blockchain-powered cheque, Cheque Chain, and is exploring the possibility of opening its blockchain platform to collaborate with other UAE financial institutions, confirmed a statement. Cheque Chain enables a unique QR (Quick Response) code to be printed on every leaf of newly issued cheque book which registers each cheque on the bank's blockchain platform, allowing round-the-clock validation thus reducing the risk of fraud.

AFDB TO SET UP ISLAMIC PROGRAM

GLOBAL: The African Development Bank (AfDB) is seeking support to set up an Islamic finance projects program, and is currently requesting proposals from third-party consultants. The six-month assignment is scheduled to begin in May 2018 with the first half of the assignment

IFN FORUM
ASIA
2018

Acknowledged by the global industry as the premier Shariah finance gathering in the region, IFN Asia Forum will be back in Kuala Lumpur in May 2018. Adopting a new one-day format, the biggest Shariah finance event in Asia will deliver greater impact through a mix of panel sessions, onstage interviews and interactive sessions running concurrently with multiple streams dedicated to the most pertinent and talked-about segments of the industry.

Date: 7th May 2018
Venue: Mandarin Oriental Hotel,
Kuala Lumpur

conducted in AfDB headquarters in Abidjan and the remaining three months in the North African Resource Center in Tunis. Deadline for application is the 20th April 2018.

SRERC TO LAUNCH ISLAMIC PRODUCTS

SAUDI ARABIA: Saudi Real Estate Refinance Company (SRERC), a subsidiary of the Public Investment Fund, is looking to establish several Shariah compliant products, described as being long and short-term options, in partnership with the Shariyah Review Bureau (SRB). The products are intended to bolster institutional capital optimization and credit through "incentivizing" the house-lending sector.

ISLAMIC BANKS TO GROW TRADE FINANCING BUSINESS

MALAYSIA: Maybank Islamic intends to grow its trade facilities in line with growing demand for Islamic finance in Malaysia and the ASEAN region as well as the phenomenal growth of the global Halal industry. To date, Maybank Islamic has about a one-third share in terms of trade facilities done under Islamic banks. Separately, RHB Islamic Bank is developing an e-commerce trade financing platform to enable companies to boost their working capital. The platform is likely to be implemented next year.

SOVEREIGN

SUKUK PART OF DUBAI'S NEW ECONOMIC STIMULUS PLAN

UAE: The vice-president and prime minister of the UAE and ruler of Dubai, Shaikh Mohammad bin Rashid Al Maktoum, announced stimulus plans over twitter including proposals to allocate 20% of government tenders to SMEs. Under the economic stimulus plan, the Dubai Islamic

Economy Development Center will work toward developing and improving the Sukuk market, increasing Sukuk issuance and listing in Dubai, developing new platforms including retail Sukuk and a secondary Sukuk market for SMEs.

TAX REBATE FOR ISLAMIC FIRMS

PAKISTAN: The Federation of Pakistan Chamber of Commerce and Industry (FPCCI), an apex trade body, has asked the government to increase the tax rebate for Shariah compliant manufacturing firms to support growth in the industry.

According to a budget proposal on Islamic banking, the FPCCI recommends introducing a gradual approach of allowing a 2% tax rebate to those listed manufacturing companies who convert their 20% of conventional financing into Islamic financing as compared to last year and convert their 20% of non-compliant investments into Islamic investments. The FPCCI also proposes to enhance the tax rebate to 3% for those manufacturing companies who achieve 0% conventional financing and 0% non-compliant investments. At present, companies which are completely free from interest-based financing with 0% investment in non-Shariah compliant avenues get a 2% tax rebate.

BRUNEI ISSUES SUKUK

BRUNEI: Autoriti Monetari Brunei Darussalam, on behalf of the government, has sold its 156th Sukuk Ijarah (lease-based). The BN\$100 million (US\$76.06 million) facility, maturing on the 12th July 2018, carries a rental rate of 0.94%.

BNM PRINTS ISLAMIC PAPERS

MALAYSIA: Bank Negara Malaysia (BNM) sold four Money Market Tender Qard (MMTQ) facilities for the total amount of RM11.1 billion (US\$2.85 billion). All issuances were fully subscribed.

BANGLADESH BANK SELLS

SHORT-TERM PAPER

BANGLADESH: Bangladesh Bank sold three and six-month Bangladesh Government Islami Investment Bond (BGIIIB) worth BDT500 million (US\$5.99 million) and BDT1.97 billion (US\$23.59 million) with a profit-sharing ratio of 90:10, according to an announcement. The facilities garnered one and seven bids respectively.

IILM PRINTS SUKUK

GLOBAL: The International Islamic Liquidity Management Corporation (IILM) auctioned two series of short-term Sukuk for US\$500 million each. The two-month issuance has a profit rate of 2.38% and received a total orderbook of US\$1.41 billion, whereas the three-month issuance has a profit rate of 2.7% and garnered a total orderbook of US\$2.6 billion.

INDONESIA FLOATS SUKUK

INDONESIA: The Ministry of Finance raised IDR6.35 trillion (US\$460.91 million) from its latest sale of Shariah securities. IDR10.19 trillion (US\$739.64 million)-worth of bids were received for the six securities. ☺

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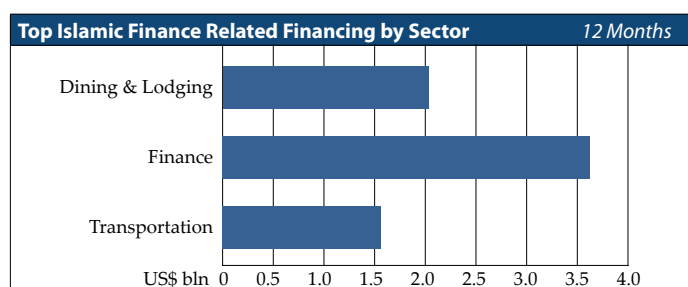
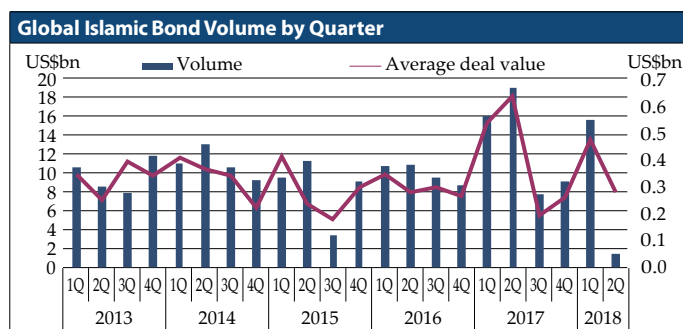
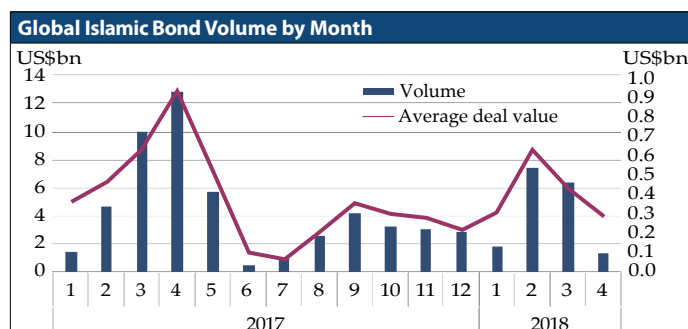
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Top Issuers of Global Sukuk					12 Months
Issuer	Nationality	Market	US\$ (mln)	Tranches	Managers
Indonesia	Indonesia	Euro market public issue	3,000	2	Deutsche Bank, First Abu Dhabi Bank, HSBC, Mandiri Sekuritas, Standard Chartered Bank
Oman	Oman	Euro market public issue	2,000	1	Alizz Islamic Bank, Citigroup, Dubai Islamic Bank, Gulf International Bank, HSBC, JPMorgan, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,250	1	Emirates NBD, Goldman Sachs, Gulf International Bank, HSBC, Maybank, National Bank of Kuwait, Natixis, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,250	1	Dubai Islamic Bank, First Abu Dhabi Bank, Gulf International Bank, HSBC, Maybank, Natixis, Standard Chartered Bank, Warba Bank
China General Nuclear Power	Malaysia	Domestic market public issue	1,042	7	CIMB Group, Maybank, RHB Capital
DanaInfra Nasional	Malaysia	Domestic market public issue	1,022	5	Affin Hwang Capital, AmlInvestment Bank, CIMB Group, Maybank, RHB Capital
DanaInfra Nasional	Malaysia	Domestic market public issue	1,000	1	AmlInvestment Bank, CIMB Group, HSBC, Maybank, RHB Capital
Pakistan	Pakistan	Euro market public issue	1,000	1	Citigroup, Deutsche Bank, Dubai Islamic Bank, Industrial & Commercial Bank of China, Noor Bank, Standard Chartered Bank
Dubai Islamic Bank	UAE	Euro market public issue	1,000	1	Arab Banking, Dubai Islamic Bank, First Abu Dhabi Bank, HSBC, JPMorgan, Kuwait Finance House, Sharjah Islamic Bank, Standard Chartered Bank
Sharjah	UAE	Euro market public issue	1,000	1	Dubai Islamic Bank, HSBC, Sharjah Islamic Bank, Standard Chartered Bank



Top Islamic Finance Related Financing Deal List				12 Months
Credit Date	Borrower	Nationality	US\$ (mln)	
19 th Mar 2018	Saudi Arabia	Saudi Arabia	7,650	
17 th May 2017	Dubai Airports	UAE	2,999	
15 th Aug 2017	Al Motaliha	UAE	1,835	
18 th Dec 2017	Ma'aden Aluminum	Saudi Arabia	1,782	
11 th May 2017	Jumeirah Group	UAE	1,450	
3 rd Dec 2017	GEMS MENASA (Cayman)	UAE	1,250	
21 st Mar 2018	Investment Corporation of Dubai	UAE	1,200	
13 th Oct 2017	DanaInfra Nasional	Malaysia	948	
3 rd Jul 2017	ME Investments	UAE	681	
27 th Apr 2017	United Telecommunication	Oman	600	

Top Global Islamic Bookrunners				12 Months
Bookrunner Parents	US\$ (mln)	Iss	%	
1 CIMB Group	6,137	43	15.43	
2 Maybank	5,812	45	14.61	
3 RHB Bank	2,834	29	7.12	
4 HSBC	2,640	16	6.63	
5 Standard Chartered Bank	2,433	21	6.12	
6 AmlInvestment Bank	2,362	26	5.94	
7 Dubai Islamic Bank	2,120	14	5.33	
8 Citigroup	1,956	10	4.92	
9 JPMorgan	1,140	5	2.87	

Most Recent Global Sukuk

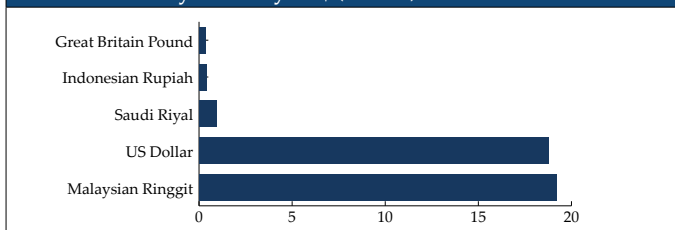
Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
17-Apr-18	Noor Bank	UAE	Sukuk	Euro market public issue	500	Citigroup, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, Noor Bank, Sharjah Islamic Bank, Standard Chartered Bank, Warba Bank
11-Apr-18	Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	500	Arab Banking, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Noor Bank, Standard Chartered Bank
11-Apr-18	DAMAC Properties Dubai	UAE	Sukuk	Euro market public issue	400	Barclays, Dubai Islamic Bank, Emirates NBD, HSBC, Kuwait Projects, Mashreqbank, Sharjah Islamic Bank
28-Mar-18	Bahrain	Bahrain	Sukuk	Euro market public issue	1,000	BNP Paribas, Citigroup, Gulf International Bank, National Bank of Bahrain, Standard Chartered Bank
27-Mar-18	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	769	Affin Hwang Capital, AmlInvestment Bank, Bank Islam Malaysia, CIMB Group, Maybank, OCBC, RHB Bank
15-Mar-18	Emirates Group	UAE	Sukuk	Euro market public issue	600	Abu Dhabi Islamic Bank, BNP Paribas, Citigroup, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, JPMorgan, Noor Bank, Standard Chartered Bank
15-Mar-18	Putrajaya Holdings	Malaysia	Sukuk	Domestic market public issue	154	AmlInvestment Bank, CIMB Group, Maybank
15-Mar-18	MMC	Malaysia	Sukuk	Domestic market public issue	256	RHB Bank
14-Mar-18	Dar Al-Arkan Real Estate Development	Saudi Arabia	Sukuk	Euro market public issue	500	Alkhair Capital (Dubai), Deutsche Bank, Dubai Islamic Bank, Emirates NBD, Goldman Sachs, Nomura, Noor Bank, Standard Chartered Bank

Top Islamic Finance Related Financing Bookrunners

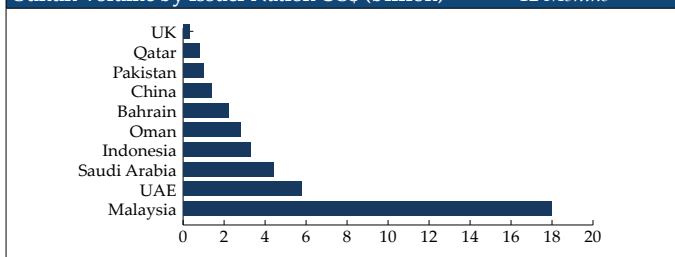
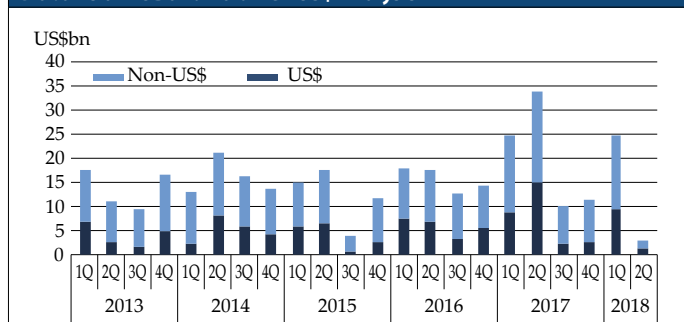
12 Months				
	Bookrunner	US\$ (mln)	No	%
1	Standard Chartered Bank	1,007	5	8
2	Abu Dhabi Islamic Bank	994	5	8
3	First Abu Dhabi Bank	923	5	8
4	HSBC	922	4	8
5	Citigroup	861	3	7
6	Mitsubishi UFJ Financial Group	841	2	7
7	Industrial & Commercial Bank of China	823	2	7
8	Bank of China	765	1	6
8	Credit Agricole	765	1	6
8	JPMorgan	765	1	6

Sukuk Volume by Currency US\$ (billion)

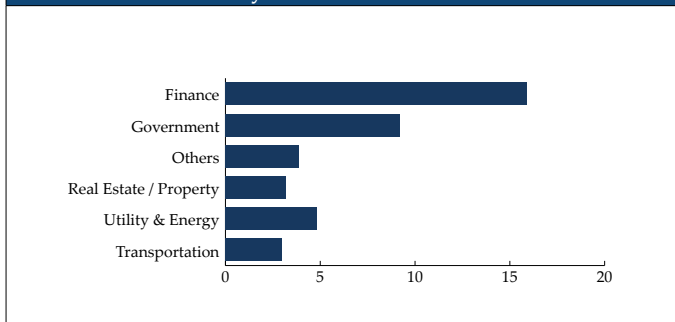
12 Months


Sukuk Volume by Issuer Nation US\$ (billion)

12 Months


Global Islamic Bond Volume - US\$ Analysis

Global Sukuk Volume by Sector

12 Months



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