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The World Gold Council collaborated with the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to develop the Shari'ah Standard on Gold, launched in December 2016. The Standard offers definitive guidance on the use of modern gold financial products in a Shari'ah-compliant manner, opening up a new investment asset class in Islamic finance. Gold is highly liquid, and is an important safe haven asset, portfolio diversifier, and wealth preservation tool for investors in Islamic finance.

Since the launch of the Standard, the World Gold Council has supported the development and launch of a number of Shari'ah-compliant gold products.

For more information on the Standard, gold's role in Islamic finance, or to work with us on the development of new products, please email **shariah@gold.org.**

Roaring Asia

Vineeta Tan
Managing Editor
Islamic Finance *news*

IFN Asia Forum 2019 was a resounding success: over 1,000 delegates from across Asia and as far as Europe, the Middle East and Africa were in attendance during the two-day event, again making IFN Asia Forum one of the largest international Islamic finance gatherings of its kind in the region.

Asia houses approximately 60% of the world's 1.8 billion Muslims, with almost half of Southeast Asians adhering to the faith (242 million), and this is a major driving factor for the success of Islamic banking and finance in Asia but we know that demographics, while key, is only one part of a multifaceted industry which would not thrive without the right regulatory push and market pull.

Favorable demographics, strong regulatory support and proactive industry participation have made Malaysia, the home of IFN Asia for 13 years, the undisputed global leader of Islamic finance, and many are taking a leaf out of Malaysia's book.

The Southeast Asian stalwart grew its Islamic banking market sixfold over the last two decades, accounting for almost a third of the nation's total banking sector; Takaful on the other hand, has been expanding at healthy double-digit growth rates, outpacing the conventional sector over the last few years. In the Malaysian capital markets, a majority of instruments are Shariah compliant across the equity and bond segments. These achievements have translated internationally as well: the country is the most prolific Sukuk manufacturer, producing 45.3% of the US$112.4 billion Sukuk globally in 2018, while holding 37% of the world's Islamic assets under management, the largest concentration globally.

This year, the theme of sustainability and ethical finance dominated the conversations. An overarching question was: how can financial institutions fully embrace ethical finance as part of their Shariah finance strategy and vice versa? Fintech was also a recurring theme throughout the two days.

We are pleased to be sharing with you proceedings from the productive conference as well as carefully curated content painting the robust and active Islamic financial market of Asia.

We look forward to welcoming you at IFN Asia Forum 2020!

Islamic Finance *news*

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ADNAN ZAYLANI — *Assistant Governor, Bank Negara Malaysia*

Leadership, values, ethics and Islamic finance: The next generation of Islamic financial institutions

Allow me to first begin by thanking the organizer for inviting me to deliver the keynote address at this annual IFN Asia Forum. It is a pleasure to be here in the company of such a diverse gathering of Islamic finance professionals and weigh in on an important subject — Leadership, values, ethics and Islamic finance: The next generation of Islamic financial institutions.

For many of us, the 2008 global financial crisis will be one of the major events that stays with us throughout our careers. In Asia, we had the Asian financial crisis in 1998 which was momentous but given the scale and its far-reaching impact, the 2008 crisis has left far larger imprints. More than a decade has passed, yet we continue to live under its shadow. A world that has grown at a slower pace, in low inflation, bordering on a deflationary risk environment for the better part of a decade. Banking and financial regulations that undoubtedly have strengthened the resilience of the system, but could have had unintended consequences on growth. During this time, a multitude of financial misconduct has been uncovered that has deeply impacted the global financial sector and damaged its reputation. In many parts of the system, not only has the crisis sparked a rethinking of the economic architecture, the stability and resilience of the financial sector, it has also laid bare the absence or lack of values and ethics in finance. This lack of a moral compass and its role that contributed to the global financial crisis have resulted in a loss of trust in finance, prompting a need to restore integrity and trust in financial institutions and market players.

This should not greatly surprise us. After all, the influential works of economic thinkers that came to shape many economic and financial policies before the crisis had as its fundamental basis that people who are driven by self-interest would be able to produce the best outcome for the economy and society. This reminds of an earlier quote attributed to John Maynard Keynes: "Capitalism is the extraordinary belief that the nastiest of men, for the nastiest of motives, will somehow work together for the benefit of all". Today, this lack of a moral compass and base motivation for financial and economic decision-making rings hollow. Society desires higher motives and a greater sense of purpose. Supporting this must be a stronger sense of ethics and values. In the mainstream or conventional financial system, many institutions and practitioners have latched onto sustainability, environmental and governance themes and standards as a manifestation of this. Finance must serve the good and is no longer about greed and self-interest.

Raising the impact of Islamic finance to the economy and society through stronger leadership, values and ethics

Islamic finance has always been subjected to higher overarching objectives that place ethical and moral conduct at its center. The Maqasid Shariah, first articulated by Al-Ghazali in the 12th century and developed further by later scholars, speaks toward the preservation of religion, life, family, mind and property with the ultimate aim of prevention of harm and attainment of benefits. At the onset, such objectives entail the prohibition of any unethical or unlawful conduct in Islamic finance while putting in place features of an embedded governance that support the highest level of integrity and good conduct within Islamic finance. This is achieved through the branch of Shariah of Fiqh Muamalat which governs business and

financial relationships in the Islamic economy. The main objective of Islamic economics itself is the human wellbeing, a concept that not only cuts across the necessities of Maqasid Shariah, but also extends toward a more comprehensive social and economic aspiration for the betterment of the material and spiritual wellbeing of society.

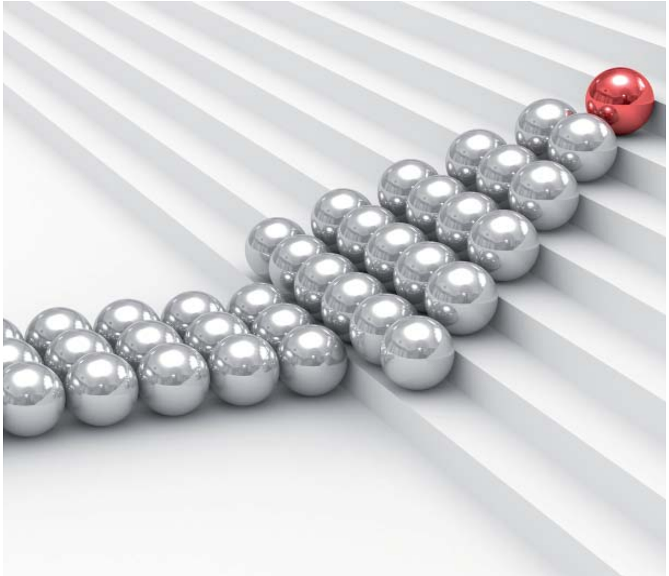
Islamic finance therefore naturally has the potential to take the lead striving toward an ethical, moral and also sustainable model for finance in the global financial system. In developing the Islamic financial system, these unique propositions are drawn out further from underlying Shariah principles. Islamic finance practitioners in principle are, at a minimum, duty-bound to observe the norms of high ethical conduct to uphold the values and the sanctity of Shariah. Principles alone, however, do not insulate Islamic finance from experiencing conduct risks. Examples in the past from various cases of frauds, breach of trust and mismanagement have occurred, exposing Islamic finance to reputational risks. Operational safeguards remain critical in the day-to-day decision-making and business operations. Islamic finance must also continuously reflect on whether the governance arrangements, practices and business models of their institutions are effective and impactful.

Islamic finance can lead in financial inclusion and governance

Today, Islamic finance has already established itself and garnered significance in many parts of the world. Though much of this appeared as a natural outgrowth of growing prosperity in many Muslim countries, it did require governmental support and regulatory pushes. In Malaysia, where the modern form of Islamic finance has developed for over 40 years, the national strategy to develop Islamic banking and finance was driven from two perspectives: as an initial strategy for financial inclusion and later to position the country as a leader in Islamic finance.

In financial inclusion, Islamic finance played an important role in bringing those who exclude themselves from the conventional system on religious grounds. Demographically, Muslim households make up the majority in our country, including that of the B40 income category. There is a natural affinity to subscribe to Islamic finance. Nevertheless, the outreach beyond the urban areas always requires additional effort. Now, with the help of technology, Islamic finance is playing a greater role in expanding the outreach of financial services and increasing financial inclusion. Digitally-enabled financial services are resulting in greater access, quality and usage of financial services. Islamic banking and Takaful customers are able to equally benefit from online and mobile banking services, and enjoy seamless business transactions through digital platforms for supply chain finance. Digitization of Islamic products and instruments has even contributed in specific initiatives of enhancing financial inclusion, such as the online application of Takaful products that offer affordable and easy-to-understand protection plans with a convenient claims process. The Islamic banking industry's recent launch of the myWakaf portal is another such initiative to enable easier and more effective Waqf contributions by individuals to selected projects such as education, healthcare, investment and economic empowerment.

In our leadership aspiration in Islamic finance, key areas that were and are emphasized are in governance and ethics. Strong corporate governance and leadership are crucial to uphold Shariah values and raise the impact of Islamic finance to the economy and society. A robust Shariah governance framework within Islamic financial institutions is a must to ensure that Shariah values are internalized and upheld in business practices. The Islamic Financial Services Act 2013 accords due recognition to the importance of a governance structure within Islamic financial institutions. In practice, Shariah compliance is supported in Malaysia under a two-tier governance structure that operates at the industry and institutional levels. This comprises the Shariah Advisory Council of Bank Negara Malaysia as the highest authority in the ascertainment of Islamic law for Islamic financial business; and a Shariah committee set up in each Islamic financial institution to advise the management and the board on all matters relating to Shariah issues that are specific to the institution. Currently, we are in the midst of revising the Shariah Governance Framework to further strengthen it by providing, among others, greater clarity on the roles, responsibilities and accountabilities of the board, Shariah committee and key organs involved in instituting a robust Shariah compliance risk culture. Through governance, the application of Shariah will be more closely integrated with the business and risk strategies of Islamic financial institutions.



These efforts, and many more, have culminated in an unparalleled growth in the Islamic banking market share which grew sixfold over the last 20 years. The Islamic banking system now comprises over 30% of the overall market share. Takaful has also grown in acceptance, registering double-digit growth rates and outpacing the conventional counterpart for the past few years. Ar-Rahnu Islamic investment accounts are becoming more familiar products among Malaysians. We have also become and have maintained a position among the world's largest Sukuk issuers. Islamic finance is thriving and competitive.

Islamic financial institutions should consider the wider impact of their activities

Beyond this, Islamic finance is also spearheading initiatives in sustainable finance with Islamic banking institutions championing the implementation of value-based intermediation (VBI). Through VBI, Islamic financial institutions adopt a highly structured framework to assess how they create value and impact, for example, from economic, social and environmental perspectives. VBI accords equal emphasis to economic value creation and upholding of ethical values, and strengthens Islamic finance as a "uniting force for good". The VBI initiative is currently bringing together the banking groups through a pioneering Community of Practitioners (CoP) to advance the sustainability agenda in a collaborative, concerted and synergistic approach. This includes forming close engagement with organizations that share similar sustainability aspirations.

Through VBI, Islamic banks are taking the lead in advancing finance for the good. While these banks are still at the early stages in their journeys, there are already concrete examples of VBI being put into action today as we see progress in embedding its elements in their financial products, practices and operations. Though VBI has a far wider scope, these early applications capitalize on contemporary sustainability themes. These include preferential financing rates for hybrid vehicles and green buildings, specialized financing schemes for women entrepreneurs and issuance of the world's first UN Sustainable Development Goals (SDGs) Sukuk. Where VBI goes beyond is in the provision of non-financial services bundled in financial solutions such as advisory, business network and relevant infrastructure to groom small clients with business potentials such as SMEs and microfinance. Alongside this move toward responsible financing, the CoP members are actively reviewing their business portfolios, identifying and prioritizing VBI issues within their institutions and building the required capacity. The banks' progress and effectiveness of VBI-related initiatives would be captured through the VBI Scorecard. The underpinning thrusts of VBI are also gaining relevance in the Takaful industry as Takaful operators are taking initial steps in exploring value-based protection for their customers. Given the universal nature of VBI, I believe that its adoption by financial groups, which comprise the conventional financial institutions as well as issuers and investors, would be a natural evolution in the financial ecosystem.

> ***"Currently, we are in the midst of revising the Shariah Governance Framework to further strengthen it by providing, among others, greater clarity on the roles, responsibilities and accountabilities of the board, Shariah committee and key organs involved in instituting a robust Shariah compliance risk culture"***

Expectations on the next generation of Islamic financial institutions

The next generation of Islamic financial institutions would thus be driven by values and not just profit. With a moral outlook for the ultimate good, strengthened by self-discipline, greater accountability and integrity, Islamic financial institutions will have stronger consideration of the impact of decisions made. There should be greater drive to continuously improve their offerings and treatment toward customers and employees, which include fair and transparent disclosure in order to increase the positive impact of their activities. Development of banking practices based on VBI concepts is also anticipated to encourage the creation of new business opportunities and provide the foundation for better returns for Islamic banks over the long term. An example is the assessment of financing application by Islamic banks based on value-creation instead of mere credit scoring which would benefit business propositions from new sectors such as SMEs. Another example is refocusing, strengthening and repositioning of personal financing by Islamic banks to best meet the needs and circumstances of customers. In time, there may emerge greater differentiation between VBI and non-VBI institutions which will be better understood by shareholders, fund providers and financial markets more generally. Furthermore, the more comprehensive and holistic approach of VBI in advancing the good for society could prove to be a key competitive advantage that will influence and shape the future of the financial industry.

The drive for positive changes in the Islamic financial services industry, however, requires a major paradigm shift in many institutions. It takes a long view to recognize returns beyond financial profits where social and environmental gains are also highly valued. It will also take increasing professionalism and high-quality talent that will contribute to this transformation of mind and culture. In Malaysia, we can readily leverage on the available Islamic finance talent development ecosystem, which has a comprehensive and diversified range of offerings, spanning tertiary and professional education, research, training and consultancy services which are globally recognized. The implementation of VBI has already galvanized many stakeholders including institutions of higher learning such as the International Centre for Education in Islamic Finance (INCEIF) and the International Shari'ah Research Academy to undertake impactful applied research that advances the implementation progress of VBI by the financial industry. Indeed, Islamic finance has greatly benefited through these institutions that have contributed toward enlarging the pool of Islamic finance professionals and deepening expertise through various programs and initiatives. At the same time, these institutions have also grown in recognition. INCEIF for example, has been awarded the prestigious accreditation by the Association to Advance Collegiate Schools of Business International in recognition of its excellence in various areas, including its diverse programs that have benefited students from more than 80 countries.

Besides talent, strong and visionary leadership in particular at the board and senior management [levels] will be crucial for success in this paradigm shift. This leadership and strong professionalism must continuously be complemented with the right ethics to transform the culture, systems and people. Nurturing talent also needs to be extended to the board level. In Malaysia, directors can gain greater appreciation on the dynamics of Shariah principles through programs such as the Islamic Finance for Board of Directors Program. This specialized Islamic finance training program builds on the core foundations of corporate governance as set out in the Financial Institutions Directors' Education Program. Directors would also be exposed to diverse perspectives from within and beyond the Islamic banking community on contemporary issues in the industry.

Let me conclude. The Islamic financial sector has made great strides over recent decades. The next growth frontier in Islamic finance, however, lies in realizing its potential to create greater socioeconomic impact. Values and ethics, strongly instilled, would strengthen trust between people and the system. For the Islamic finance industry, the move toward embracing VBI manifests the larger aspiration of Islamic finance. In shaping positive behavior among industry players, Islamic finance can become a leading agent of change and bring about sustainable positive impacts to the economy and society. Translating this vision into reality then requires our collective efforts, steered by strong and capable leadership.

On that note, I wish you a productive forum ahead.

ZAINAL IZLAN ZAINAL ABIDIN — *Deputy Chief Executive, Securities Commission Malaysia*

Broadening investment opportunities through the Islamic capital market

It gives me great pleasure to be here this morning. Please first allow me to congratulate REDmoney and its forum sponsors and partners for their continued commitment and success in bringing us from different stakeholder groups together for extensive discussions on furthering the development of the Islamic finance industry.

I would also like to thank the organizers for allowing me to share my views with all of you today. I believe it is extremely important that we continue to engage actively and constructively on various aspects of the Islamic finance industry as it is still a relatively small segment of the global financial system and thus require the collective involvement of industry participants from all corners of the globe to discuss and collaborate on significant areas that could define the Islamic finance industry in years to come.

As today has been designated as Investors Day for the forum, I will focus my remarks on developments and opportunities from the investor perspective. Certainly, there have been a number of recent and ongoing initiatives that have helped to position Islamic finance in general and the Islamic capital market in particular, more prominently in the global landscape.

Before we go into the main subject matter, please allow me to share some statistics on the Islamic capital market today. In Malaysia, the significance of the Islamic capital market is very much apparent, as it represents 60.6% of Malaysia's overall capital market, with a size of RM1.9 trillion (US$460.94 billion) as at the end of 2018. The Islamic fund management industry in Malaysia has also been progressing commendably. In 2008, there were five Islamic fund management companies and 30 fund management companies operating Islamic windows. The number has since grown to 22 fully-fledged Islamic fund management companies and 31 fund management companies operating Islamic windows, collectively with an estimated RM159 billion (US$38.57 billion) in assets under management as at the end of 2018. Meanwhile, total value of Sukuk outstanding in Malaysia stood at RM844 billion (US$204.75 billion) accounting for 60% of total bonds and Sukuk in the market.

> *"Two significant trends that have emerged across the global financial landscape in recent years have also materially influenced the directional development of the Islamic capital market and Islamic investments, namely sustainability and financial technology"*

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The Team

Haris Akhtar
Head of Investments

With a 12-year career in Real Estate Private Equity, Haris has closed c£0.5bn in Real Estate deals.

Tarek Kallel
Head of Business Development

Tarek is a pioneer in the Islamic Banking industry, having set up KT Bank, the first Islamic Bank in Germany.

Bilal Ahmed
Head of Operations

With over 20 years' experience in UK Real Estate, Bilal was most recently the founder and CEO of Signature Private Finance, a hugely successful UK Bridge Lending platform.

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Contact Us

You can find Bilal Ahmed at the IFN Event who would be happy to discuss in person. Alternatively email **bilal.ahmed@offa.co.uk**

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Globally, Malaysia currently has the largest market share of Islamic assets under management by domicile at 37% followed by Saudi Arabia at 29%, according to Malaysia International Islamic Financial Centre estimates as at the end of 2018. For Sukuk, Malaysia continues to be a global leader with 50% of the US$427 billion total Sukuk outstanding globally as at the end of 2018. Malaysia also accounted for 45.3% of the US$112.4 billion global Sukuk issuance in 2018.

Two significant trends that have emerged across the global financial landscape in recent years have also materially influenced the directional development of the Islamic capital market and Islamic investments, namely sustainability and financial technology or as some may coin it, digital finance. While each of them is individually enhancing the Islamic capital market ecosystem in its own right, the combination of and interplay between these two trends may well contribute toward a new age of Islamic finance in which investors are facilitated by digital technology toward more inclusive investment solutions that also help to achieve positive social and environmental impact.

"One of the significant key drivers for the future growth of sustainability is the paradigm shift in investment preference by the emergence of a new generation, the millennials"

Sustainability, or more specifically sustainable investment, is broadening the reach of the Islamic capital market in view of significant commonalities in the principles and values underlying both sustainable and Islamic investing. They both advocate positive values such as ethics, social responsibility, shared prosperity, financial inclusion and sustainable growth. Under Maqasid Shariah or the objectives of Shariah, the protection of Maal or property is one of the pillars and the protection and/or preservation of the environment falls under this objective, which is very much in line with the green agenda.

In discussing the close alignment between the principles of Islamic and sustainable investments, it would also be relevant to acknowledge the concept of Tayyib. The word 'At-Tayyib' is used in the Quran and Sunnah to describe something that is good or wholesome, and there are several verses in the Quran that refer to the consumption of food that is both Halal and Tayyib, thus suggesting that Islam encourages not only eliminating the Haram but also seeking wholesomeness, be it in food or finance.

At the practical level, there is already international recognition of the alignment between Islamic and sustainable investing as Islamic funds are considered part of the sustainable investment universe by the Global Sustainable Investment Alliance (or GSIA). There are therefore vast opportunities for the Islamic capital market to capitalize on the similarities. For instance, the Global Sustainable Investment Review 2018 report by the GSIA shows that there are US$30.7 trillion-worth of global assets being professionally managed under sustainable investment strategies — reflecting a compound annualized growth rate of 15.8% over two years. With this in mind, Malaysia is well-positioned to drive the development and growth of the sustainable and responsible investment or SRI segment particularly in this region, by leveraging on its leadership in the Islamic capital market which is supported by a comprehensive ecosystem that can readily offer investors a vast array of SRI solutions.

In view of the above, the enhancement of the SRI ecosystem in Malaysia continues to be a key priority for the Securities Commission (SC). It is in fact one of the three main areas of developmental focus highlighted by the SC during the release of our 2018 Annual Report last month. As many of you would be aware, initiatives by the SC in this area over recent years include the issuance of the SRI Sukuk Framework and the SRI Funds Guidelines, as well as the launch of the Islamic Fund and Wealth Management Blueprint which identifies the development of Malaysia as a regional center for Shariah compliant SRI as one of its three strategic thrusts.

In addition, the issuance of the Malaysian Code on Corporate Governance (the Code) has further enhanced the ecosystem for SRI in Malaysia, representing the fourth 'i' in the SC's 5i strategy for SRI development — internal culture and governance; the other four being issuer, investor, instrument and information architecture. Greater internalization of the corporate governance culture as envisaged under the Code supports the sustainability agenda through more responsible and proactive practices. From the business investment perspective, the Code emphasizes that the board should ensure that the company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

Looking ahead, another key initiative within the integrated SRI and Islamic capital market space is the development of a positive Shariah screening methodology that will incorporate environmental, social and governance (ESG) criteria alongside existing Shariah criteria. The SC is also embarking on efforts to facilitate the development of Waqf assets through Islamic capital market instruments and services to help grow the Islamic social finance segment.

Industry players have also contributed to further innovation within the sustainable and Islamic finance and investment market in Malaysia. Among others, 2018 witnessed several world's firsts including the issuance of a sustainable development goal (SDG) Sukuk to support the UN SDGs initiative and the launch of an ESG Sukuk Fund. These and other innovative developments serve to strengthen the Islamic capital market's value proposition in attracting broader participation including from SRI investors.

Globally, asset owners such as pension funds and sovereign wealth funds are the significant drivers of SRI. To demonstrate their commitment, numerous institutions have signed on to the Principles for Responsible Investments (PRI). By adopting the principles, the PRI signatories contribute to developing a more sustainable global financial system. Currently, there are over 2,000 signatories from 67 countries, with US$80 trillion-worth of assets under management as at 2018. As at January 2019, five institutions in Malaysia have become signatories to the PRI.

Looking ahead, one of the significant key drivers for the future growth of sustainability is the paradigm shift in investment preference by the emergence of a new generation, the millennials. The millennial generation generally appear to have greater awareness of SRI and generally are also more active users of technology. This global trend has already started to shape a new investment landscape. Being able to leverage on this key trend will inevitably enhance the value proposition and competitive advantage for the Islamic capital market in respect of SRI among the millennials.

For the Islamic capital market, the influence and impact of technology and digital finance are multi-fold. It enhances efficiency, enables deeper data analytics and promotes transparency, among others. At the same time, the prevalence of technology can enable a country like Malaysia to compete effectively with the more established financial markets as it is capable of creating and offering substantive, value-adding Shariah compliant product and service differentiation that capitalizes on technological capabilities.

More specifically, digital platforms and business models such as equity crowdfunding, peer-to-peer financing and digital investment management would be making significant future impact on the industry. These digital investment services facilitate connectivity by allowing issuers, investors and intermediaries to access existing and new markets in a more efficient and cost-effective manner, thus spurring further growth of the industry. Leveraging on digital technology will also enhance efficiency in managing Shariah and SRI-compliant portfolios for investors as it enables Shariah and SRI-related processes to be integrated into various management systems.

Indeed, the role of technology in the Islamic investment ecosystem is increasingly expanding. One such initiative on Shariah compliant investing is Bursa Malaysia-i, which is a fully integrated Islamic securities exchange platform with a comprehensive range of exchange-related facilities that include listing, trading, clearing, settlement and depositary services. With this platform, investors are able to choose to invest in Shariah compliant securities listed on the main and ACE markets of Bursa Malaysia Securities, and also access the platform by interfacing with Islamic participating organizations. This in turn provides investors with a comprehensive 'end-to-end' Shariah investing experience, complete with trade and post-trade services conducted by Bursa Malaysia.

In continuing the SC's aim to enhance the SRI ecosystem, initiatives were undertaken in Malaysia to support sustainable growth and meet investor interest for green investments regionally, which formed part of the ASEAN Capital Markets Forum (ACMF)'s broader efforts in developing green finance within the ASEAN region.

As part of the ACMF initiative, the ASEAN Green Bond Standards (AGBS) were developed by a working group led by the SC and the Securities and Exchange Commission of the Philippines and were subsequently launched in November 2017. The AGBS are aligned to the Green Bond Principles and seek to enhance transparency, consistency and uniformity to help reduce issuance and investment costs.

The AGBS were then complemented by the ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards, launched in October 2018. Collectively, these standards serve to create a sustainable asset class in ASEAN, particularly in meeting the region's infrastructure and social development financing needs.

Adding to this regional initiative is the SC's ongoing participation within the global International Organization of Securities Commissions Sustainable Finance Network where the SC is a member. This is a uniformed initiative among securities market regulators and exchanges established at the end of last year, with the key focus relating to sustainable finance and the role of securities markets in capital-raising and sustainability issues.

The global importance of the sustainability agenda, as reflected by the ongoing initiatives undertaken by key stakeholders such as the regulators, stock exchanges, policymakers and other relevant stakeholders, bodes well for the Islamic finance industry given the growing awareness for SRI and its close alignment to Islamic finance principles.

Before I end, I would like to share a few of the global cases borne out of the synergized approaches involving Islamic finance with sustainability and digital technology. The International Federation of Red Cross and Red Crescent Societies (IFRC) has developed an online blockchain application offering individuals and organizations the ability to track their contributions in highly complex humanitarian settings, providing transparency and laying a platform for increased trust between humanitarian organizations and the Islamic social financing world, according to the article titled 'IFRC wins Fintech Islamic Finance Challenge' published in IFN Fintech. This digital innovation has received universal acclaim and recognition and is the IFRC's first foray into Islamic finance, advancing its cause to develop Islamic social finance strategies and fundraising tools in support of the IFRC's humanitarian aid programs.

Islamic social finance supported by the mobilization of digital technology has also brought about the effective distribution of Zakat contributions from the Malaysian state of Perlis (according to the Zakat Council of Perlis) toward drought and famine relief in Kenya. The project became successful and profitable as the cash value of the crop grown exceeded the value of the seeds purchased, which in turn allowed subsistence farmers to acquire a certain amount of disposable income that can be channeled toward other social impact areas focusing on food, healthcare and education. This digital finance model was aided by the use of a money transfer system based on mobile phones, first established in Kenya and Tanzania, according to the article titled 'The Transformative Power of International Zakat' published by the IFRC.

In the green Sukuk market, we are seeing continuous development in terms of project undertakings, where previously proceeds from the first few green Sukuk programs were utilized to construct solar photovoltaic plants, with the ultimate goal of conserving the environment by providing an environmentally friendly, clean and sustainable power supply. For the latest ASEAN green SRI Sukuk issued by Pasukhas Green Assets early this year, the proceeds will be utilized toward constructing a hydropower plant while also exploring other renewable energy assets in Malaysia.

In conclusion, the dynamic progress of sustainability initiatives, coupled with the Islamic capital market's broadening reach and supported by digital technology, is facilitating more seamless access for investors keen on making social and green impact. In recent times, we have witnessed continuous SRI and digital innovations, and it is imperative that the Islamic capital market rides on this global trend to make a difference and contribute to the overall sustainability agenda.

This agenda is gaining further prominence underpinned by growing demand for sustainability from both the increasingly affluent and technological-savvy Islamic and conventional investors. With the collective knowledge and high capacity for innovation gathered in this event, I am positive that we are able to chart the next phase of growth for the Islamic finance industry and in the end provide further access and sustainable solutions for investors, thereby broadening the investor base for SRI in the Islamic capital market.

I wish everyone a productive day ahead. Thank you.

Malaysia: At the forefront

Malaysia has been one of the key players of the international Islamic finance industry, and with positive developments in the past 12 months, the nation is poised to take a bigger share of the global market.

Regulations

With a robust Islamic finance regulatory framework, Malaysia consistently works on enhancing its legal infrastructure. Supervised by Bank Negara Malaysia (BNM) and the Securities Commission Malaysia (SC), the Islamic banking and finance industry is regulated under the Islamic Financial Services Act 2013.

Last year, a few regulatory frameworks were rolled out, among them on fintech, cryptocurrency, digital investments as well as green bonds and Sukuk in collaboration with ASEAN. Budget 2019 saw the announcement of the establishment of a special committee for Islamic finance led by the Ministry of Finance and comprising BNM and the SC.

Banking and finance

As of the first quarter of 2018, there are 16 fully-fledged Islamic banks and 12 Islamic windows in Malaysia, according to the IFSB. By the end of September 2018, data from the central bank indicates that the total assets of the Islamic banking industry were recorded at RM697.82 billion (US$166.63 billion), a 10.89% increase from a year ago (RM629.28 billion (US$150.26 billion) in September 2017).

The increase was partly contributed by the merger exercise between Malaysia Building Society and Asian Finance Bank, creating an Islamic bank with total assets of RM47.81 billion (US$11.42 billion). The country's intention is for Islamic finance, which currently has 32% of total market share at the end of August 2018, to account for 40% by 2020.

Capital market

Malaysia's Islamic capital market accounts for RM1.95 trillion (US$465.62 billion) or 60.69% of Malaysia's total capital market as at September 2018, up from 59.78% a year ago.

The Islamic equity market accounts for more than three quarters of the total market at 75.96%, with 692 out of a total of 911 listed securities on Bursa Malaysia complying with Shariah principles. As at the end of September 2017, Islamic equity market capitalization was recorded at RM1.13 trillion (US$269.48 billion) or 61.37% of total market capitalization. The country houses three Shariah indices: FTSE Bursa Malaysia Hijrah Index Emas, FTSE Bursa Malaysia EMAS Shariah Index and FTSE Bursa Malaysia Small Cap Shariah Index.

Being the world's biggest Sukuk issuer by market share, the Malaysian Islamic capital market has surged to RM1.9 trillion (US$453.68 billion), representing an 11.9% increase and holding a 38% market share in global Sukuk issuances in 2017. Sukuk issuances accounted for 50.14% or RM142.19 billion (US$33.95 billion) from total issuances of RM283.59 billion (US$67.72 billion) in the debt capital market as at the end of September 2018, according to the SC.

The nation has been a pioneer in green Sukuk, with five papers issued to date under the SC's Sustainable and Responsible Investment Sukuk Framework totaling RM2.41 billion (US$575.46 million), with green Islamic papers expected this year. To increase the attractiveness of its Sukuk market, in the latest budget, the government announced that it will continue the double tax deduction on additional expense costs when issuing Sukuk under the Ijarah and Wakalah principles, and expenses incurred by the company when issuing gross bonds or Sukuk for two years of assessment, starting from next year.

Asset management

The Malaysian Islamic asset management industry accounts for RM171.45 billion (US$40.94 billion), slightly more than one-fifth of the total fund industry worth RM789.62 billion (US$188.55 billion) as at the end of September 2018.

Various new funds hit the market this year, including the world's first environmental, social and governance multicurrency Sukuk fund by BIMB Investment Management and the nation's debut Islamic sustainable and responsible investment equity fund by BIMB Investment, Arabesque and ValueCAP.

Takaful

According to BNM, there are 11 Takaful operators in Malaysia, two of which are foreign-owned. Total assets of the Takaful industry was recorded at RM29.3 billion (US$7 billion) as at 2017, up from RM26.68 billion (US$6.37 billion) in 2016, according to the Malaysian Takaful Association. General Takaful recorded total assets of RM25.6 billion (US$6.11 billion), up from RM23.2 billion (US$5.54 billion) from a year ago, whereas Family Takaful realized RM3.65 billion (US$871.55 million) in total assets, a slight increase from 2016's RM3.59 billion (US$857.22 million). Family Takaful's penetration rate was recorded at 14.66% in 2017.

Takaful is poised to see more growth since by July 2018, composite Islamic insurers were required to split their Family and General Takaful businesses under two separate licenses. Among those that have implemented the change are Syarikat Takaful Malaysia, Zurich Takaful Malaysia, Hong Leong MSIG Takaful and Etiqa. The Malaysian government announced a tax relief in its latest budget on the separation of the Employees Provident Fund (EPF) and life insurance and Takaful which are now separated into RM4,000 (US$958.47) and RM3,000 (US$718.85) respectively.

Fintech

Malaysia's position in the Islamic fintech sector is undeniably strong, due to its position in the global Islamic finance industry and consistent efforts by the regulators to advance fintech and the digital economy. Malaysia has a strong presence in almost all 11 verticals analyzed under the IFN Fintech Landscape.

The Malaysian Industry-Government Group for High Technology is looking to leverage blockchain technology to enhance the nation's three largest industries, namely Islamic finance, renewable energy and the palm oil industry. Islamic fintech company HelloGold also received a Fatwa earlier this year for its HelloGold Token from Amanie Advisors.

Indonesia: On the right track

Indonesia, being a top contender in the Islamic finance league, is ramping up efforts to move to the front ahead of regional players like Malaysia and Brunei. With its active regulatory initiatives and the world's first green sovereign Sukuk this year, the archipelago nation is well on its way to realizing its dreams.

Regulatory environment

Indonesia has in place a robust Islamic finance regulatory ecosystem to rival many of the industry's fellow key players, and regulators are leaving no stones unturned in establishing new legislative efforts to safeguard the sector. This year, the Financial Services Authority (Otoritas Jasa Keuangan or OJK) announced various new regulations, including on Sukuk, fintech, Takaful and asset management, to name a few.

The National Shariah Board of the Indonesian Council of Ulama also published two Fatwas on Shariah compliant asset-backed securities. The first Fatwa is on asset-backed securities in the form of participation based on Shariah principles, whereas the second Fatwa is on securitization in the form of asset-backed Islamic securities.

The National Development Planning Agency's Shariah economic masterplan and the Waqf Core Principle, jointly developed by the Indonesian Waqf Board and Bank Indonesia, are expected to be in operation this year.

Banking and finance

There are 14 fully-fledged Islamic banks (including Bank NTB Syariah, which became Shariah compliant in July this year), 34 Islamic banking business units/windows and 196 Shariah rural banks in Indonesia as at July 2018, according to the OJK.

The Islamic banking network is expected to undergo changes over the next few years as conventional banks are required to spin off their Islamic windows into a separate stand-alone unit by 2023; this would apply to Islamic windows contributing 50% or more to the parent's assets, or any Islamic window which has been around for 15 years or more since the Islamic Banking Act was enacted. Bank NTB Syariah is the only known bank to have converted to fully Islamic. Bank Permata submitted an alternative proposal to that measure, whereas shareholders of Bank Nagari are pushing for conversion to take place soon.

Waqf banks for micro businesses are also on the rise in Indonesia with six banks established throughout Indonesia with a total financing of IDR6.05 trillion (US$398.48 million) to 5,735 customers as at the 30th June 2018, with the latest one being Bank Wakaf Mikro Usaha Mandiri Sakinah in collaboration with Universitas Aisyiyah Yogyakarta.

Capital markets

Indonesia is a frontrunner in the sovereign Sukuk race, with a total of IDR140.82 trillion (US$9.28 billion) floated via its short-term papers from January to the 2nd October 2018, as per data collected by IFN. It also issues long-term Sukuk papers on a yearly basis, with a US$3 billion dual-tranche paper in March 2017, following a US$2.5 billion facility in 2016.

In March this year, the nation pipped Malaysia by issuing the world's first sovereign green Sukuk for US$1.25 billion along with a US$1.75 billion 10-year Sukuk tranche. During the recent IFN Indonesia Forum 2018, Luky Alfirman, the director-general of budget financing and risk management of the finance ministry, announced that the country is planning to offer its next series of retail Sukuk in November to the public via digital means, allowing investors to subscribe to the papers through their mobile phones.

Unlike the sovereign market, Indonesia's corporate Sukuk market is still lagging behind. Despite an increase from 13 papers printed in the first eight months of 2017 to 18 papers in the first eight months of 2018, the market is still slow and struggling.

Corporate issuance only accounts for about 25% of the total Sukuk market and, except for Garuda Indonesia's dollar offering in 2015, all corporate Islamic papers are still denominated in the rupiah. It is learned that Garuda is planning a further fundraising exercise, and global Sukuk is one of the options being considered.

Indonesia has a total of three Islamic indices: the Jakarta Islamic Index (JII) is the first liquid Islamic stock index, the Indonesia Shariah Stock Index (ISSI) is the composite Islamic stock index and the Jakarta Islamic Index 70 (JII70) is a new liquid Islamic stock index launched in June this year.

As at the end of August, market capitalization of the JII stood at IDR2.06 quadrillion (US$135.68 billion), the Indonesian Shariah Equity Index reached IDR3.56 quadrillion (US$234.48 billion), whereas the JII70 made IDR2.54 quadrillion (US$167.3 billion).

Asset management

As at the end of August, 10.51% of the mutual fund industry comprised Islamic mutual funds, up from 10.24% in December 2017. The 210 Islamic mutual funds — 28 of which were launched in 2018 – represent a net asset value of IDR31.13 trillion (US$2.05 billion), 6.31% of the total market. Sucorinvest Asset Management is planning to establish the Sucorinvest Sharia Money Market Fund in October this year.

The formation of Badan Pengelola Keuangan Haji or Hajj Financial Management Board in 2017 is viewed as a boon for Shariah investments. In fact, the commercial opportunities in the Islamic investment management space are attracting new asset managers, including Aberdeen Asset Management which is considering establishing a dedicated Islamic management unit and another local player which is aiming to be Indonesia's first fully-fledged Islamic asset manager.

Takaful

There are 13 Takaful operators and 50 Takaful windows operating in Indonesia, according to official July statistics. Dominated by Family Takaful, total Islamic insurance assets in the first seven months of 2017 totaled IDR41.87 trillion (US$2.76 billion). Like banks, insurers are also required to separate their Islamic operations by 2024.

Bangladesh: Unprecedented growth on the Sukuk front

In 2018, Bangladesh's Sukuk market saw an unprecedented surge in Sukuk from financial institutions. This year, the government is finally stepping up its game to better facilitate the Sukuk market, with a number of regulations underway.

Regulatory landscape

Bangladesh does not have a dedicated Islamic finance and banking regulation but the nation has an impressive growth story. Driven mainly by the private sector, domestic players had since 1983 adapted to the conventional regime (Banking Companies Act and Companies Act), which has marginal Shariah adjustments. The central bank, Bangladesh Bank, has in recent years taken measures to consolidate and develop the sector by creating a more conducive environment for banks: it issued Islamic banking guidelines in 2009 which cover licensing and conversion requirements as well as financial reporting and investment.

This year, another milestone was achieved as the Bangladesh Securities and Exchange Commission (BSEC) is developing regulations for Sukuk and derivatives to facilitate trading of the products in the country's capital market. The regulations are currently in development and would be published soon for public feedback. The authority also recently sought public opinion on the draft of the BSEC (Alternative Trading Board) Rules 2018, which would facilitate the entry of new items, including Sukuk, to the stock market.

Banking and finance

As per total Islamic banking assets, Bangladesh impressively ranks second behind only Malaysia in the Asian region, recording US$30.3 billion or 11.2% of the region's Islamic banking assets as at the first half of 2017 (latest data). Bangladesh is well ahead of Indonesia, the world's biggest Muslim-majority nation, which holds 9.9%, according to a report by the Malaysia International Islamic Financial Centre.

There are 57 banks in Bangladesh, out of which eight are fully-fledged Islamic banks, according to the IFSB. About 15 conventional lenders are offering Shariah products on a window or branch basis.

Total assets of fully-fledged Islamic banks increased to BDT2.65 trillion (US$31.08 billion) in the first half of 2018, up from BDT2.52 trillion (US$ 29.56 billion) recorded a year before. Number of employees recorded a surge of 1,579 employees during the same period. Revenues stood at BDT212.45 billion (US$2.49 billion) in the first half of 2018, up from BDT194.75 billion (US$2.28 billion) a year before.

In general, the Shariah banking industry is performing well. However, it is not without controversy. The country's largest Islamic bank, Islami Bank Bangladesh (IBBL), has been under fire particularly over a controversial management overhaul in 2017, with rumors circulating that the changes were politically triggered. Since the reshuffle, foreign shareholders of the bank have reportedly been offloading their shares including the IDB — which plans to divest two-thirds of its 7.5% shareholding in IBBL — and Bahrain Islamic Bank as well as Dubai Islamic Bank.

The performance of ICB Islamic Bank was also under review by the Dhaka Stock Exchange in 2018 in line with regulations as the issuer has failed to declare a dividend (cash/stock) for a period of five years from the date of declaration of the last dividend or the date of listing with the exchange.

Microfinance

The country's microfinance sector comprises four Islamic banks, 20 small Islamic microfinance institutions and an Islamic microfinance program of a conventional microfinance institution, with the Association of Muslim Welfare Agencies as the fund provider. IBBL is the largest provider of Islamic microfinance with a market share of about 80%.

Islamic funds

With a number of fully-fledged Islamic fund managers in the market (including four mutual fund companies), a growing number of conventional players are also moving into the Shariah space including Asian Tiger Capital Partners Investment which launched a BDT100 million (US$1.2 million) Shariah fund in August 2016. IBBL also rolled out an Islamic fund — the SEML IBBL Shariah Fund — in November 2016, and its CAPM IBBL Islamic Mutual Fund started trading in March 2018.

Capital markets

Bangladesh's Islamic capital market in recent times has had a shot in the arm. Among the government's initiatives are the Inter Islamic Fund Market, the Islamic Refinance Fund Account (IRFA), as well as the three-month and six-month Bangladesh Government Islamic Investment Bonds. As a continuation of the IRFA, the central bank issued the 'Refinance Scheme for Investment in Green Products or Initiatives' circular, which touches on designing an investment plan particularly for Islamic banks and financial institutions.

2017 was marked by an unprecedented number of Sukuk issuances particularly from financial institutions, namely from the National Credit and Commerce Bank, Dhaka Bank, EXIM Bank, Al Arafa Islamic Bank and IBBL. Earlier this year, EXIM Bank and First Security Islami Bank received approvals for their respective papers.

There are two Islamic indices in Bangladesh: one by the Dhaka Stock Exchange and another by port city bourse Chittagong Stock Exchange (both were launched in 2014).

Takaful

Regulated by the Insurance Development and Regulatory Authority, there are 11 Takaful operators (eight life and three non-life) in the country, out of 77 insurance firms. Over a dozen conventional insurers offer Takaful products on a window basis. As at the 31st December 2017, total assets of the Takaful industry stood at BDT56.6 billion (US$663.89 million), according to the IFN Annual Guide 2019.

Pakistan: Growing fast

Against the backdrop of political turmoil and a deteriorating economy that resulted in the government turning to international help, Pakistan's Islamic finance industry has fared exceptionally well in the past year.

Regulatory landscape

Pakistan is one of the earliest Muslim nations to have pursued formal Islamization of its banking system beginning in 1977; however, this has not been successful due to political, social and legal hurdles. The country, like many others, practices a dual-banking system and is consistently bolstering its Islamic finance regulatory infrastructure. (Islamic) Banking is governed by the central bank, the State Bank of Pakistan (SBP), while the Securities and Exchange Commission of Pakistan (SECP) regulates capital market activities as well as insurance.

In 2018, the SECP introduced the draft of its Shariah Governance Regulations 2018. The SECP also introduced amendments to the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017, with the mandatory advisory licensing requirement for securities brokers withdrawn.

Under the SBP's Strategic Plan (2014-18) for the Islamic banking industry, a Liquidity Management Framework is in the pipeline. The plan also mentions that the Microfinance Ordinance 2001 will be amended to offer Shariah compliant services by this year.

Banking and finance

According to the SBP, there are a total of 21 Islamic banking institutions — five fully-fledged Islamic banks and 16 conventional banks having stand-alone Islamic banking branches.

Shariah banking institutions have been registering steady expansion: as at the end of June 2018, Islamic banking assets were recorded at PKR2.48 trillion (US$18.54 billion), up 21.57% from PKR2.04 trillion (US$15.25 billion) made as at the end of June 2017. Islamic banking deposits also realized an increase from PKR1.72 trillion (US$12.86 billion) as at the end of June 2017 to PKR2.03 trillion (US$15.18 billion) a year later. In terms of financing facilities, the diminishing Musharakah has been a favorite among providers and clients (33.7%) as at the end of June 2018, followed by Musharakah (20%).

Earlier this year, the SECP granted its approval to a Murabahah share financing product proposed by the National Clearing Company of Pakistan.

Islamic capital markets

Pakistan has been a frequent player in the global Islamic debt capital market. At the end of 2017, the South Asian nation issued a US$1 billion five-year Islamic paper which was oversubscribed 2.3 times its size. The response was similar to a year before, when the country floated the same amount with the same level of oversubscription.

Earlier in April, the Pakistani government said that it is looking to borrow a whopping US$13 billion in the next fiscal year, the highest in the nation's 71-year history, with US$3 billion of the amount coming from Sukuk and bonds. Despite the denial of the then-finance minister Miftah Ismail in March that the country will issue a dollar Sukuk facility, preparations are in full swing for an international Sukuk paper. The Ministry of Finance is currently waiting for Prime Minister Imran Khan's consent for the planned issuance; once approval has been received, the government will advertise in newspapers to seek participation in the bidding process for the selection of financial advisors in the next few weeks.

On the corporate side, a number of facilities hit the market: Meezan Bank's additional Tier 1 Sukuk facility worth PKR5 billion (US$37.38 million), Pakistan Services (PSL)'s PKR7 billion (US$52.33 million) facility, as well as the nation's first-ever Islamic commercial paper by Hascol Petroleum. The Pakistan Engineering Council also proposed a Sukuk issuance to fund the delayed Diamer-Bhasha Dam project.

On the equity front, incentives are in line to enhance the market. Pakistan's Finance Act of 2016 introduced a 2% tax rebate for Shariah compliant listed manufacturing companies. Having been upgraded by MSCI to emerging market status in May 2017, the Pakistan Stock Exchange is expected to attract global investors having funds of approximately US$1.4-1.7 trillion.

Asset management

Pakistan has a robust domestic fund market. Data from the SECP indicated that as of the 30th June 2018, Islamic equity funds made up 15.74% of the assets under management of the industry which has a total size of PKR678 billion (US$5.07 billion). As for pension funds, 10 are Shariah compliant, overtaking conventional funds.

There are a total of 17 fund managers providing Islamic funds in the country, with over 110 Islamic funds (including pension funds) representing over a quarter of the total mutual fund industry, according to the Mutual Funds Association of Pakistan.

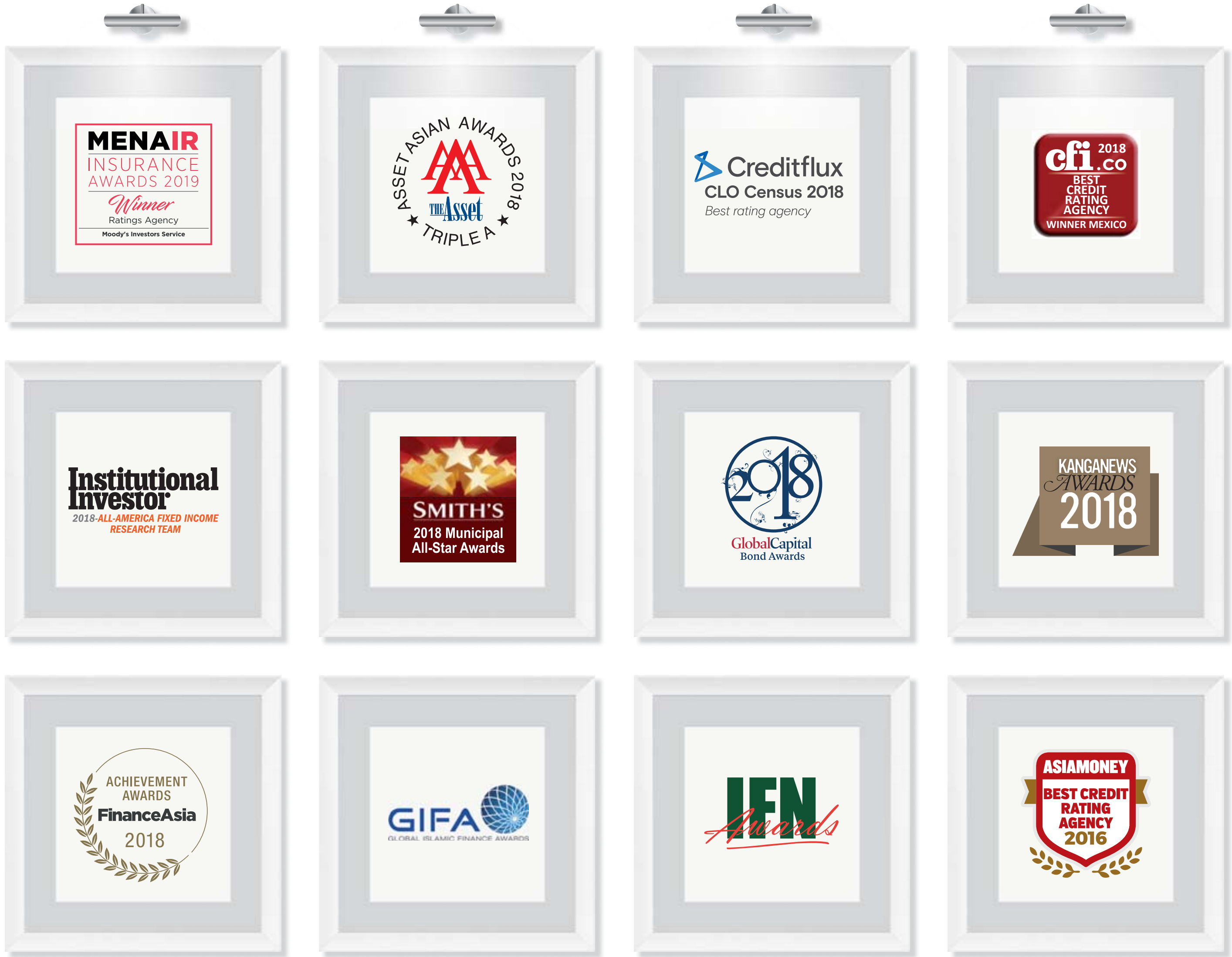
Takaful

Pakistan is one of the few countries that have separate regulations for the Takaful sector, and they were amended in 2012 to allow conventional players to operate Takaful windows.

In a first, the SECP gave its approval to Pakistan Reinsurance Company to establish the country's first re-Takaful window. The window is currently in development.

New regulations were also introduced to the market this year: the SECP published the draft General Takaful Accounting Regulations, 2018, which provide a framework for the accounting and reporting of the General Takaful business of General Takaful operators and window General Takaful operators.

To boost human capital in the Takaful sector, the SECP gave approval to education centers to offer training courses to all Takaful providers in the country. Takaful operators were also allowed to offer in-house General and Family Takaful training.



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Central Asia: Preparing an Islamic finance hub

There has been a recent flurry of activity in the Islamic finance arena in the five countries of Muslim-majority Central Asia — Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan — as they work to build a robust Islamic finance ecosystem.

Regulatory environment

For the past few years, Kazakhstan, Tajikistan and Kyrgyzstan have had Islamic finance legislation in place. Early in 2018, the National Bank of Tajikistan announced its development of a regulatory framework to facilitate the licensing activities of Islamic credit organizations in the country. In the same year, Kazakhstan was admitted as a member in the Bahrain-based General Council for Islamic Banks and Financial Institutions.

The board of directors of the National Bank of the Kyrgyz Republic also this year approved the instructions for working with Shariah compliant bank accounts and bank deposits, set out in accordance with the standards of AAOIFI.

Banking and finance

Moody's Investors Service released a report in August 2019 predicting substantial Islamic banking growth in Commonwealth of Independent States (CIS) countries, which the global rating agency has said will be led by Central Asian nations. Kazakhstan in particular is fast becoming the Islamic finance hub of the region, especially with the establishment of the Astana International Financial Centre (AIFC) and its focus on expanding Islamic finance and banking activities.

In Kazakhstan, there are two Islamic banks — Al Hilal Bank and Islamic Bank Zaman Bank — while Tajikistan's Sohibkorbank successfully converted into a fully-fledged Islamic bank early in 2019 and Kyrgyzstan has one conventional bank in the process of conversion.

Uzbekistan has three Islamic banking windows operational, with some banks accepting deposits on a Shariah basis and some Islamic leasing companies offering Ijarah services, and this year, its Hi-Tech Bank rolled out the country's first Musharakah banking product approved by the central bank and the Ministry of Finance.
Also in Uzbekistan, Kapitalbank signed an agreement with the Islamic Corporation for the Development of the Private Sector (ICD) that will allow it to seek technical advice from the Saudi body to set up a new Islamic banking window.

IDB

An important factor of growth in the Islamic finance sector in the region is the IDB's projects. This year alone, it approved approximately 70 projects in Kazakhstan worth US$1.6 billion, prioritizing financing operations in transport infrastructure development.

Meanwhile, also in 2019, the ICD signed a US$10 million line of financing agreement with the State Bank for Foreign Economic Affairs of Turkmenistan, the largest bank in the country. This is the first time that the bank is securing Islamic funds, and the Wakalah-based facility will be utilized to support the development of Turkmenistan's private sector, including SMEs. Turkmenistan also recently announced its official membership in the Islamic Corporation for the Insurance of Investment and Export Credit, whose risk mitigation and credit enhancement services will act as catalysts for the strengthening and diversification of the country's economy.

In Tajikistan, the IDB has allocated US$80.3 million for the implementation of two social projects in the country's Khatlon region, while it will channel US$20 million in loans to Kyrgyzstan to enhance water supply and sanitation in Talas and Batken.

Takaful

In Kazakhstan, although Islamic insurance is available through Takaful Halal Insurance, Takaful window operations are still not permitted, with all Shariah compliant insurance activities falling under the purview of the National Bank of Kazakhstan.

Islamic capital markets

Most Sukuk-related activity is concentrated in Kazakhstan; the AIFC has announced its intent to issue Sukuk for investment, infrastructure and environmental projects by the end of 2019. Kyrgyzstan is also looking into floating sovereign Sukuk.

There remain many hurdles for Islamic finance players in Central Asia to overcome with Moody's report on the region listing hurdles like weak public awareness of Islamic finance and banking, lack of coverage by state deposit insurance systems, as well as Islamic institutions' inability to use central banks' conventional liquidity and funding facilities, which all bear interest. These disadvantages have resulted in Islamic banks having higher funding and operating costs than their conventional counterparts.

Despite these challenges, Islamic banking is expected to grow substantially in Central Asia in the next five years, especially with strong support from the governments and the general state of each country. The World Bank's latest GDP report (2018) shows Tajikistan leading with a 7.8% GDP increase, followed by Turkmenistan's 6.2% growth.

The participation of a majority of CIS countries in China's Belt and Road Initiative, Moody's report added, will also have a positive impact on Islamic finance, particularly for infrastructure projects in Central Asia.

Additionally, the increasing use of internet and mobile devices will help expand the reach of financial services in general, including Shariah compliant ones.

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China & Hong Kong: Nascent development

With a significant Muslim minority and its ambitious Belt and Road project, China and Hong Kong present an attractive Islamic finance proposition.

Regulatory environment

China's Islamic finance ambitions are still at a nascent stage due to the lack of a dedicated legal framework for Islamic banking and finance. But as for Hong Kong, the legislation allowing the issuance of Sukuk was passed in 2013. The Loans (Amendment) Bill 2014 followed the introduction of the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Ordinance 2013, with both pieces of legislation together providing a taxation framework for Sukuk, comparable to that provided to conventional bonds.

China became an associate member of the IFSB in 2009 and a proposal to study prospective changes in legislation to facilitate Islamic finance development was announced. However, no further announcements were made.

Capital market

Hong Kong issued a sovereign 10-year Sukuk early last year for US$1 billion, its third following its September 2014 and June 2015 issuances. When it was issued, Hong Kong was the first 'AAA'-rated government to launch a Sukuk with a 10-year tenor. The Airport Authority Hong Kong in 2017 did consider Sukuk as a possible funding option for its three-runway system project, but nothing materialized. Its previous plan to raise US$1 billion through Sukuk in 2008 also fell through.

While no Sukuk have been issued out of mainland China yet, Chinese corporates and state-backed firms have tapped the Sukuk market through other markets, particularly Malaysia. Last year, China General Nuclear Power's Edra Power Holdings issued a RM250 million (US$59.54 million) sustainable responsible investment Sukuk facility via its solar energy unit Tadau Energy, touted to be the first green Sukuk issued in Malaysia. Beijing Enterprises Water Group's subsidiary, BEWG Malaysia, issued its inaugural Sukuk for RM400 million (US$95.27 million). Country Garden also frequently sells Islamic medium-term notes. Other Chinese entities which have expressed interest in offering Sukuk include HNA Group and TEB Technology in partnership with SAG Holdings.

Recently, Malaysia-based RHB Group Asset Management, in partnership with China Asset Management, launched the RHB Shariah China Focus Fund, an equity fund which will be invested in A-shares, H-shares, real estate investment trusts, exchange-traded funds and Chinese equity-related securities.

New entrants

According to the Central Intelligence Agency, 1.8% of China's population, which is the largest in the world, are Muslims. Pairing the size of a viable market brought by the ethnic group with the opportunities brought by the One Belt One Road (OBOR) strategy, China has the potential to become a reckoning force in the Shariah finance industry.

In May 2016, Fullgoal Asset Management (Hong Kong) partnered with Dubai-based Mawarid Finance to launch an Islamic fund underpinned by Chinese equities. Chinese Business Hub (CBH), launched last year to assist Chinese companies to build a presence in the UAE, secured Shariah compliance certification for one of its investment products in 2016.

In terms of banking, there have been multiple attempts by foreign players to launch Islamic banks in China, including Malaysia's Affin Bank, RHB Capital and Bank Muamalat, but no progress has been reported. In September 2015, an Islamic bank — the Xining Rural Commercial Bank — was launched in Xining, the capital of northwestern China's Qinghai province, according to state-run Xinhua News Agency. The new bank joins the Islamic banking unit (established in 2009) of Bank of Ningxia in providing Islamic financial products.

OBOR

President Xi Jinping's OBOR initiative could be a potential catalyst for Islamic finance as it opens a slew of financing opportunities for infrastructure stretching across key Islamic finance centers along the Middle East, Africa, Asia and Europe with an estimated cost of US$5 trillion. A large part of this initiative is attracting foreign investors to diversify funding sources for the project.

In line with this, CIMB Group Holdings launched the CIMB ASEAN-China Halal Corridor, a trade network linking Halal businesses across China and the region, aiming to encourage entrepreneurship and enable more SMEs to tap the market.

International partnerships

China has been building partnerships with Islamic finance players over the past few years. One such country is Iran, with which China has maintained steady ties despite international sanctions on the Islamic Republic. Following various agreements in 2017, this year Iran signed an MoU with the China Securities Regulatory Commission, covering areas like issuing Iran's sovereign securities in China, developing Islamic financial instruments for China and transferring Iran's experience in the field. China's CITIC Group Corporation also provided lines of credit amounting to US$10 billion to five Iranian banks.

The Islamic Corporation for the Development of the Private Sector partnered with China-Africa Development Fund to establish a framework on resource mobilization with third-party investors interested in participating and investing in the African Islamic Infrastructure Financing Fund.

The country also established the Asian Infrastructure Investment Bank (AIIB) and China Development Bank to help fund approximately US$1 trillion of the total cost of the OBOR projects. The AIIB is in talks with the IDB to explore the potential of utilizing Shariah compliant financing facilities to fund Asia's infrastructure needs. It is also in plans to make use of Hong Kong as a bond-issuing platform due to the island state's sound financial system and experience in developing Sukuk.

Role of Islamic financial institutions in addressing climate change

Twenty-eight years after the first Intergovernmental Panel on Climate Change (IPCC) report was published, the issue of climate change continues to be substantially unabated. Based on the State of the Global Climate in 2018 report issued by the World Meteorological Organization, 2015 to 2018 constituted four of the warmest years on record since 1850. The temperature increase has been on a rising trend and if maintained, average global temperatures are expected to increase by three to five degrees Celsius by 2100. AHMAD SHAHRIMAN MOHD SHARIFF writes.

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Deteriorating climate conditions have resulted in an increase of extreme weather events that come with a significant economic and financial toll. A recent report by Christian Aid titled 'Counting the Cost: A Year of Climate Breakdown' catalogued 10 of the most destructive weather events globally for 2018. The geographical spread and variety of these extreme weather events are most notable. The list covers extreme weather events such as hurricanes (the US), typhoons (Japan, the Philippines and China), droughts (South Africa, Argentina and Europe) and floods (Japan, China and India). The estimated cost of these events is between US$85 billion and US$96 billion, making them a significant financial risk consideration.

Beyond the financial and economic cost of climate change, the matter is made more pressing due to the fact that the window for action is fast closing. Based on the latest IPCC special report issued in October 2018, it is estimated that average global temperatures could rise to 1.5 degrees Celsius above pre-industrial levels within 12 years, after which controlling the temperature increase will become even more challenging, resulting in more severe consequences. Hence the need for action is urgent.

Role of Islamic financial institutions in addressing climate change

The findings from the recent IPCC report serve as a clarion call for all financial institutions to take urgent action to effect change that is needed to address climate change-related issues. Financial institutions play a central role due to their involvement in all aspects of economic activity, including those that contribute to climate change.

In this regard, Islamic financial institutions should pick up the mantle of leading the change, given the alignment between actions required in relation to addressing climate change and the objectives of Shariah.
As stated in a paper on the role of Islamic finance in managing climate change published in January 2017 by the Islamic Research and Training Institute:

> "There are numerous verses of the holy Quran and the traditions of the Prophet, which establish the inviolable rule to preserve and protect the environment and conserve resources. Maintaining the balance of life on the planet is a supreme duty of humans and therefore, forms part of the divine objectives of the Shariah."

Other than fulfilling its raison d'etre, the need for Islamic financial institutions to play a leading role in combating climate change is also driven by the vulnerability of most member nations of the OIC to climate change. Due to the geographical distribution of OIC member nations, a number of countries will be affected by extreme weather conditions such as drought and flooding while rising sea levels threaten coastal member nations.

Action areas for Islamic financial institutions

To respond to the risks arising from climate change, Islamic financial institutions can begin by focusing their actions on four areas, namely: changing their Shariah guidelines on permissible activities, incorporating climate change into their core policy, changing their risk assessment framework and presenting climate-related disclosures in their reports.

In order to change Shariah guidelines on permissible activities, Shariah scholars for Islamic financial institutions would need to study and deliberate on how best to incorporate climate change considerations into the existing guidelines. Unlike traditional Shariah deliberations where the goal is to eliminate prohibited elements as per the classical texts, the goal with respect to climate change is to reduce the impact of human activity on the climate within the context of adaptation and mitigation. The challenge then lies in developing a workable Shariah guideline that is effective in achieving climate change goals, yet is not overly restrictive.

Adopting climate change considerations into core policies will require Islamic financial institutions to consider linking their core policy to a variety of climate change targets and objectives as published by various multilateral groups (primarily under the auspices of the UN). Considerations could also be made regarding the development of frameworks that cover not just environmental, but also social concerns such as the UN Sustainable Development Goals as well as the value-based intermediation initiative adopted by Islamic financial institutions in Malaysia under the direction of Bank Negara Malaysia.

In relation to changing the risk assessment framework, incorporating climate change risk would require making an estimation of the impact of climate change on the Islamic financial institution's risk exposure. A good starting point for this area would be the work produced by a working group of 16 global banks coordinated by UN Environment Finance Initiative. In their April 2018 report titled 'Extending our Horizons: Assessing credit risk and opportunity in a changing climate', the working group presented a methodology to assess transition risk. Transition risk covers risks associated with the conversion to a low-carbon economy and includes climate change impact.

"Adopting climate change considerations into core policies will require Islamic financial institutions to consider linking their core policy to a variety of climate change targets and objectives as published by various multilateral groups"

The assessment methodology presented in the report applies transition scenarios into both portfolio impact assessment and borrower level calibration. The methodology incorporates elements such as climate models, climate credit quality index and expert assessment in order to create a better assessment of climate change risk. The methodology presented highlighted existing difficulties in measuring the risks arising from the impact of climate change. Nevertheless, it lays down the foundation aimed at a structural change in future risk assessments.

The final area for action is related to making climate change disclosures. Such disclosures would introduce discipline and strengthen the wider economic and financial systems. Significant progress has been made in relation to such disclosures by the Financial Stability Board's Task Force on Climate Change-related Financial Disclosures (TCFD). Thus, Islamic financial institutions will need to consider the adoption of recommendations made by the TCFD through regular recording and reporting to reinforce their commitment toward managing climate change.

Conclusion

Based on recorded evidence, climate change represents an imminent threat to mankind and Islamic financial institutions must play their role in accordance with the core principles that they need to uphold. As per verse 11 of Surah Al-Radd in the holy Quran, change can only happen if people make a conscious effort to do so. The onus is on Islamic financial institutions to be an agent of change for the societies that they serve.

Green Sukuk: Current issues and the way forward

With increasing awareness and concern about climate change and socially responsible financing, the Islamic financing market has seen the emergence of green Sukuk. Closely resembling green bonds, the emergence of green Sukuk is a natural evolution in Islamic financing, which already incorporates many socially responsible elements as part of its ethos. AZLIN AHMAD and JOHN PATRICK ANGUS set out some of the areas of attention from a legal viewpoint that both investors and issuers should take note of.

AZLIN AHMAD
Senior associate, Herbert Smith Freehills

JOHN PATRICK ANGUS
Associate, Herbert Smith Freehills

Lack of standardization

There is currently no universal definition of green Sukuk. The green bonds and green financing framework has historically consisted of a multitude of market-driven and regulatory regimes, including the Green Bond Principles, the Climate Bonds Standard, the ASEAN Green Bond Standards and domestic/local regulations. The definition of green financing in general is fluid, with each jurisdiction refining it by way of regulation and self-governance. External reviewers such as second opinion providers, rating agencies and certification providers also play a key role in shaping this area.

Most market participants agree that the use of proceeds is a crucial determining factor on the greenness of a bond or Sukuk. However, differing views exist on the finer details including (i) what constitutes a green project, (ii) the percentage of proceeds which should be used to fund green projects and (iii) the extent of ongoing supervision post-Sukuk issuance.

Differing standards in the green market lead to regulatory arbitrage. Governance gaps can be exploited by firms to engage in 'greenwashing', which poses a threat to the stability and legitimacy of the green Sukuk market. Differing standards also result in market fragmentation, making it more difficult for the entire market to attract a single large investor base, as investors will have differing demands/requirements on the 'greenness' of the Sukuk. Given the diverse projects in which green Sukuk may be utilized (for example, the construction of a green building opposed to the construction of a solar plant), it may be time for the industry to issue sector-specific guidelines to aid both investors and issuers.

Due diligence and risk factors

Due to the lack of standardization, a Sukuk facility labeled 'green' may not necessarily satisfy the environmental investment criteria of every investor. Notably, most green bonds and Sukuk in the market focus on the Sukuk's green credentials and green labeling at the issuance stage. In addition to the customary due diligence accompanying private debt issuances in general, an investor requiring an enhanced level of greenness should consider conducting more comprehensive due diligence on the issuer to determine the satisfaction of its green mandate. More focus should be placed on the ways in which the issuer handles environmental, social and governance (ESG) issues. Points to consider include supply chain risks and the net impact of the green project on environmental sustainability. Any issues of concern should also be described as risk factors in the disclosure document.

Ongoing monitoring post-issuance

Once the Sukuk facility has been issued, the responsibility for monitoring its adherence to green standards normally falls on the issuing entity and not the investor. Post-issuance compliance is a largely self-governed area. At present, the compliance of the green objective post-issuance and throughout the Sukuk tenor, as with other green bonds, is normally limited to annual reporting on the allocation of proceeds. Second opinions are also limited to their issuance date only and therefore are not tools to monitor ongoing compliance.

"Due to the lack of standardization, a Sukuk facility labeled 'green' may not necessarily satisfy the environmental investment criteria of every investor"

In terms of legal documentation, it is rare that objective adherence to green standards is embedded as a contractual term to the extent that it is linked directly to an event of default, as this is not the intention of the issuer or the investor. One should consider the implications of entrenching detailed green obligations into the Sukuk documentation lest it imposes additional obligations that the issuer is neither willing nor able to undertake.

The way forward?

Presently, the incorporation of ESG elements in Sukuk has minimal legal impact on the legal documentation. The issuing documents may refer to the Green Bond Principles being relied upon, but care is usually taken to avoid creating onerous contractual obligations on the issuer based on green principles alone. There are valid reasons for this, not least because the lack of regulation in this field would cast doubt as to how far the issuer's obligations extend, and to what length the investors would like to ensure that the project being financed remains viable from the green aspect relative to their financial expectations in the performance of the Sukuk.

The same way that the growth of Islamic finance in general continues to transform in order to adapt to increasingly sophisticated market needs, the same evolution is expected in the green Sukuk space. Similarly, in order to enhance the credibility and buy-in of the green Sukuk initiative, we have to ensure a methodical growth to avoid perceptions of greenwashing, thereby paving the way for a more stable green Sukuk market.

Jersey remains ideal location for real estate investment structures

In recent years, there has been an unprecedented series of challenges facing the financial services industry in Jersey. These include ever-changing tax rules, increased international regulation and reporting obligations, uncertainty around the ongoing Brexit saga, as well as impacts from the global security situation generally and cybersecurity threats, with high-profile leaking of sensitive information. However, ASHLEY LE FEUVRE describes why Jersey remains an ideal location for international real estate investment structures.

ASHLEY LE FEUVRE
Director, VG Fund Services

Jersey remains robust in the face of these pressures and the industry continues to thrive, particularly in the funds arena. To complement an already flexible range of options, the Jersey Private Fund product was introduced in April 2017 and has proved hugely popular, with over 200 such funds now established.

The asset class driving much of this recent success is real estate and VG has significant experience in the management of property holding structures, both Shariah compliant and conventional. With interest rates likely to remain at lower levels for the immediate future, investors with free cash available for investment, particularly those based in the Middle East and Far East, are attracted to the UK market, where the commercial sectors generally show rental stability and fund structures are able to deliver solid internal rate of return, combined with regular flows of income that far exceed the returns available on cash deposits, or other more risk-averse investment products. It is not just the UK though; commercial real estate investment opportunities are being sought in Europe, particularly in Germany and the Netherlands and also in the likes of the Nordic region. The US is also attractive, but Jersey faces stiff competition from the Caribbean financial centers in structuring US transactions.

Jersey provides an ideal location in which to locate investment vehicles to access international property markets. As mentioned, Jersey has a flexible and continually evolving regulatory regime, which provides a wide range of structuring options for both funds and private investors. The use of simple limited companies is common, but partnerships can be used, as well as Jersey property unit trusts (JPUTs). The use of JPUTs, in particular, may be helpful for certain types of investors, in the context of recent UK tax changes. The government of Jersey is committed to the growth of the financial services industry and there is great cooperation between industry, government and the local regulator to ensure that Jersey remains adaptable and competitive. There is a broad range of service providers available in the areas of fund and corporate administration, as well as private wealth management and family wealth planning.

Investing in real estate via a Jersey fund or fund-like structure provides investors with the certainty of an indirect ownership interest in tangible assets, in the form of bricks and mortar but without the responsibility for managing a property themselves, or dealing with tenants and service providers. It also provides a conduit to participating in the ownership of highly attractive commercial properties that might ordinarily be beyond the reach of most individual investors.

For fund structures, Jersey can assist promoters in marketing their offerings by providing a domicile of real substance in which to locate their funds. Jersey offers tax neutrality, has 50 years of experience with funds and benefits from political, fiscal and economic stability which, given continuing global turmoil, should be a source of comfort to promoters and investors alike. Indeed, Jersey has recently enacted specific 'substance' legislation, which seeks to ensure that companies performing various prescribed activities generate an appropriate level of economic activity and demonstrate effective governance and oversight on the island. In March this year, EU finance ministers confirmed Jersey's status as cooperative, reaffirming the island's reputation as a well-regulated jurisdiction.

"Jersey has a flexible and continually evolving regulatory regime, which provides a wide range of structuring options for both funds and private investors"

As well as funds, Jersey provides flexible structuring options for families and individuals looking to acquire real estate. The use of private trust company structures is increasing in popularity and these, together with the Jersey foundation, provide wealthy individuals with an effective means of protecting their wealth and managing succession and inheritance arrangements in an orderly manner.

There is robust, technical infrastructure available in Jersey, with access to a wide choice of high-quality functionaries and service providers. VG provides a full range of administration and fiduciary services to all types of Jersey investment vehicles. This infrastructure, combined with the island's highly developed legislative and regulatory framework, which has been subject to positive scrutiny by the OECD, the IMF and Moneyval among others, serves to demonstrate to investors that there exists in Jersey a framework of exceptional corporate governance to safeguard their interests.

VG is an independent and privately-owned provider of fiduciary and administration solutions and is ideally placed to assist clients with real estate investments. VG is regulated by the Jersey Financial Services Commission to undertake a fund services business and a trust company business.

GCC to drive growth in Islamic finance in 2019

Growth in Islamic financing assets slowed across core Islamic banking markets in 2018 — consistent with the overall growth rate of banking system assets — but continued to outpace the growth in conventional assets. Consequently, the share of Islamic financing assets in core Islamic markets increased to 30.5% of total financing assets — including conventional bank loans — from 29% in December 2016, led by Saudi Arabia (Chart 1). NITISH BHOJNAGARWALA writes.

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The continued strategic objective of sovereigns to grow their Islamic finance industry domestically and globally, and sustained demand for Islamic products by bank customers will ensure that Islamic financing asset growth will stay stable and outpace the growth in conventional assets.

Enhanced regulations to promote the deepening of the global Islamic finance industry

In most countries where Islamic financial institutions are operating, the conceptual regulatory framework of the Basel Committee on Banking Supervision is the default framework. However, Islamic financial institutions have additional and complementary regulatory guidance to ensure Shariah compliance from industry-setting bodies such as the IFSB and AAOIFI.

In 2018, the IFSB and AAOIFI signed an MoU to facilitate cooperation between the two organizations, which we expect will help harmonize and standardize regulations, further supporting the medium to longer-term outlook for the global Islamic finance industry.

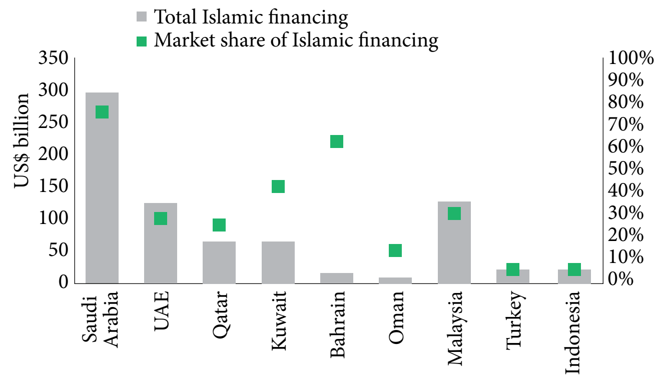
Global Sukuk issuance will remain relatively flat at around US$120–130 billion in 2019, after growing by 5% to around US$119 billion in 2018 (Chart 2).

The three largest sovereign Sukuk issuers, Malaysia ('A3 Stable'), Saudi Arabia ('A1 Stable') and Indonesia ('Baa2 Stable'), will likely gradually increase their share of Sukuk in fiscal deficit financing, further supporting the market's growth prospects. In the medium term, gross issuance will rise further, particularly when GCC Sukuk instruments issued after 2016 begin to mature in 2022 and beyond, and are refinanced by issuing new Sukuk instruments (Chart 3).

Corporate issuance in asset-backed Sukuk will remain limited because of more attractive conventional market opportunities. Nevertheless, Sukuk issuance from these sectors could prove a source of growth underpinning the industry's longer-term potential.

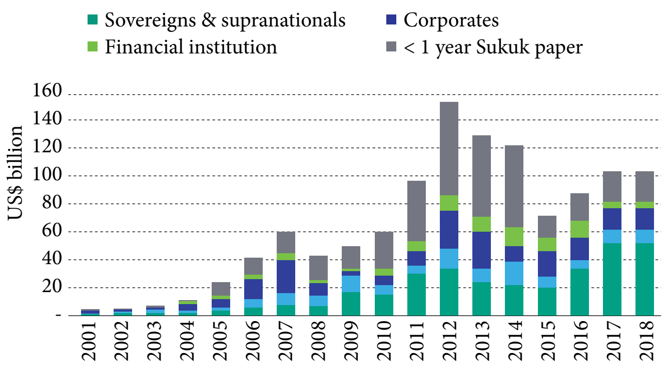
Global demand for Shariah compliant insurance (Takaful) will likely continue to grow steadily, fueling a continued increase in premiums. Takaful insurers' profitability should stabilize, after falling in 2017, because of heavy discounting in the GCC and operational headwinds in Southeast Asia.

Chart 1: Key Islamic banking markets as at the 30th September 2018 (Saudi Arabia remains largest Islamic finance market)



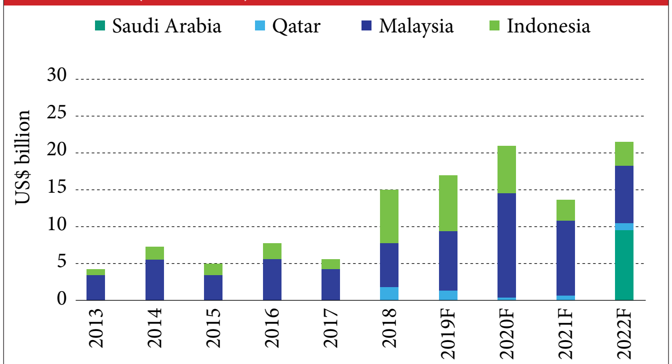
Sources: Central bank data, banks' annual reports and Moody's Investors Service

Chart 2: Global Sukuk issuance grew marginally in 2018 (Sukuk issuance in US$ billion)



Sources: IFIS, Bloomberg and Moody's Investors Service

Chart 3: Scheduled Sukuk repayments of the major sovereign Sukuk issuers (US$ billion)



Source: Moody's Investors Service

Islamic Corporation for the Development of the Private Sector

IC THE DEVELOPMENT

ICD helps private sector businesses to finance projects by providing a wide range of Sharia compliant services

Bursa Malaysia: A global leader for Islamic capital market innovations

Bursa Malaysia is an exchange holding company incorporated in 1976 and publicly listed in 2005. We operate one of the leading exchanges in ASEAN with 915 public listed companies as at the 31st March 2019, listed on the Main Market, the ACE Market and the LEAP Market. Bursa Malaysia is a multi-asset class integrated exchange, providing investors with diversified opportunities for capital preservation and appreciation and issuers with an avenue for fundraising.

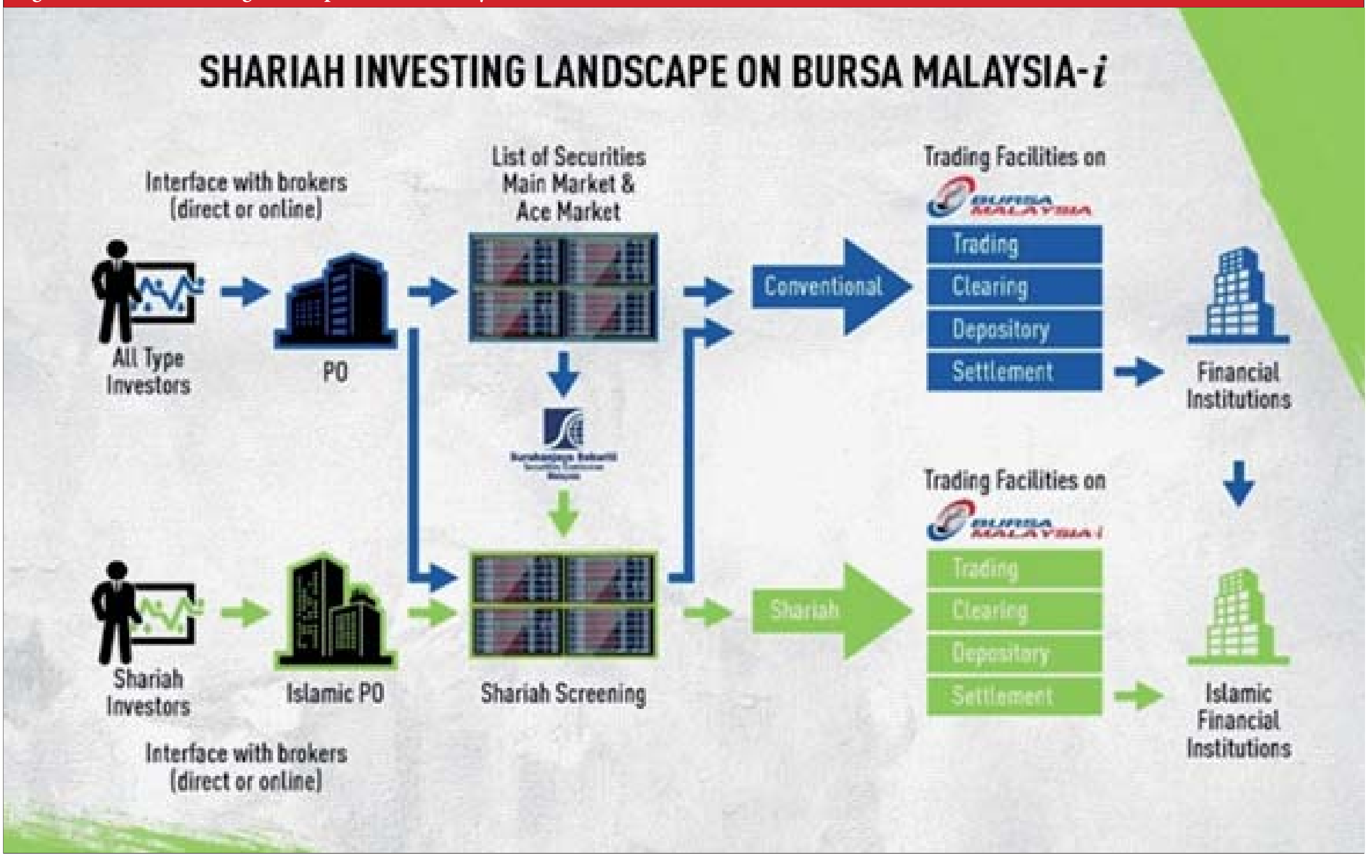
Bursa Malaysia is also the global leader for Islamic capital market innovations that have received worldwide recognition. Our Islamic capital market has pioneered several initiatives catering to the requirements of discerning investors, including Bursa Malaysia-i (the world's first end-to-end Shariah compliant investing platform), Bursa Suq-Al-Sila' (a Shariah compliant commodity trading platform), as well as Islamic Securities Selling and Buying — Negotiated Transaction (a Shariah compliant alternative to securities borrowing and lending).

Bursa Malaysia as a leading emerging market exchange offers a good breadth of Shariah compliant securities that are listed on the Main and ACE markets. As of March 2019, there were 687 or 75.1% out of a total of 915 companies listed on Bursa Malaysia that were Shariah compliant and the average daily trading value (ADV) of Shariah compliant securities traded on the exchange was recorded at RM1.3 billion (US$313.8 million), which is 61.9% of the overall ADV of RM2.1 billion (US$506.9 million).

The world's first end-to-end Shariah compliant investing platform, Bursa Malaysia-i, launched in September 2016, was a significant development by Bursa Malaysia to ensure that we offer a comprehensive suite of Shariah compliant investing and exchange-related services and we aim to further attract a wider pool of both domestic and foreign investors, as well as issuers. The Bursa Malaysia-i platform offers a comprehensive suite of Shariah compliant investing and exchange-related services, including listing, trading, clearing, settlement and depository services; hence, it creates a more facilitative environment for investors to invest and trade via a Shariah compliant platform.

The platform supports Shariah compliant products that are listed on Bursa Malaysia, including Shariah compliant stocks (i-stocks), Shariah compliant exchange- traded funds (i-ETFs), Shariah compliant real estate investment trusts (i-REITs) and exchange-traded bonds and Sukuk, which allow investors to build a multi-asset Shariah compliant portfolio that can be benchmarked against Shariah indices.

Figure 1: Shariah investing landscape on Bursa Malaysia-i



Source: Bursa Malaysia

The establishment of Bursa Malaysia-i further elevates Bursa Malaysia's status as a leading ASEAN marketplace and emerging-market leader for Shariah compliant trading activities across ASEAN and the world. Since Bursa Malaysia-i's inception in September 2016, Bursa Malaysia-i has delivered a positive and sustainable impact to the development of the country's Islamic stockbroking services industry. There are currently 16 participating organizations/brokers providing Islamic stockbroking services that are able to facilitate the promotion of Shariah compliant products and Shariah investments on Bursa Malaysia-i.

> ***"The convergence of sustainability, responsible investments and Shariah investing plays a significant role in facilitating and delivering our unique proposition to further build our strength and competitive edge in the Islamic capital market space"***

Since its launch, Bursa Malaysia-i had conducted over 300 direct engagements with market participants, including fund managers, institutional investors and over 70,000 retail investors nationwide.

We also used our regional engagement activities to further promote Shariah investing and share the value proposition offered by Bursa Malaysia-i.

As at the end of March 2019, our end-to-end Shariah compliant Bursa Malaysia-i platform has seen trades coming from Singapore, Indonesia, Brunei, China, India, South Africa and the UK, which demonstrated interest in investing responsibly in a Shariah compliant manner.

We believe that the Bursa Malaysia-i platform will grow steadily, contributed by the rapid rise of interest in responsible investments that complements the growth of Shariah investing, leveraging on our end-to-end Shariah compliant platform, Bursa Malaysia-i. The convergence of sustainability, responsible investments and Shariah investing plays a significant role in facilitating and delivering our unique proposition to further build our strength and competitive edge in the Islamic capital market space.

Bursa Malaysia-i's contributions to the progress of Islamic finance have been acknowledged by the industry through a number of awards and accolades. To date, Bursa Malaysia-i has received six awards including the 'Best Stock Exchange for Islamic Listings' at the 13th IFN Service Providers Poll 2018, 'Best Islamic Exchange 2017' by the Global Islamic Finance Awards 2017 and the Gold Medal Award for the 'Most Innovative Non-Food & Services' by Malaysia International Halal Showcase.

Moving forward, we will continue to spur the development of the Islamic capital market by leveraging on our leadership position and strengths to enrich and broaden our Shariah compliant offerings. We will also maximize synergistic efforts with market participants and our stakeholders to support the ecosystem and growth of the Islamic finance industry.

Shariah compliant indices meet evolving needs of Islamic finance industry

Since the introduction of the Dow Jones Islamic Market World Index nearly 20 years ago, there has been a tremendous amount of index innovation as the Islamic investment community has demanded increasingly granular and sophisticated investment solutions while adhering to the tenets of Islamic law. MICHAEL ORZANO writes.

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Today, S&P Dow Jones Indices publishes more than 10,000 Shariah compliant indices each day. In the early years, S&P brought to market broad benchmarks covering various regions as well as large-cap indices focused on prominent blue-chip companies. Soon thereafter, Shariah compliant versions of popular benchmarks such as the S&P 500 Shariah Index were introduced. In the past few years, Shariah compliant index development has expanded to include smart beta and multi-asset class strategies.

Dividend strategies

Dividend indices have long been popular with conventional investors due to their income properties and indication of long-term value. The S&P High Yield Dividend Aristocrats (HYDA) was launched for conventional investors in 2005 and its success has led to the subsequent launch of its Shariah counterpart — the S&P HYDA Shariah. The index is formed by screening companies within the S&P 1500 for Shariah compliance, followed by the further selection of companies that have consistently increased their dividends over the past 20 consecutive years. The result is a modern dividend capture index available for use by Shariah-conscious market participants. Table 1 below highlights the favorable risk and return characteristics of the S&P HYDA Shariah compared to the conventional S&P HYDA and S&P 500 over the past 10 years.

"Although Islamic equity indices are necessarily limited in coverage, particularly in certain sectors such as financials, Shariah compliant index innovation has largely mirrored that of the conventional space"

For investors focused on regions outside the US, additional Shariah compliant dividend indices include the S&P Pan Arab Dividend Shariah and S&P GCC Dividend Shariah. These offerings each include 30 stocks from within the relevant regions that have increased or maintained dividends for a minimum of three consecutive years.

Table 1: Comparison of returns of the S&P 500 vs. S&P HYDA and S&P HYDA Shariah

	S&P 500	S&P HYDA	S&P HYDA Shariah
Total return (% annualized)			
3 years	16.1%	15.9%	16.5%
5 years	14.5%	13.5%	14.5%
7 years	15.6%	14.7%	15.6%
10 years	10.9%	12.1%	13.8%
Standard deviation (%)			
3 years	9.4%	9.1%	10.2%
5 years	9.6%	9.2%	10.3%
7 years	10.6%	9.8%	10.3%
10 years	14.7%	14.1%	13.5%
Risk-adjusted return			
3 years	1.7	1.8	1.6
5 years	1.5	1.5	1.4
7 years	1.5	1.5	1.5
10 years	0.7	0.9	1

Source: S&P Dow Jones Indices. Charts and graphs are for illustrative purposes only. Data as of the 31st August 2018. Index performance based on total returns in the US dollar. The S&P High Yield Dividend Aristocrats Shariah was launched on the 1st June 2017. All information presented prior to an index's launch date is hypothetical (back-tested), not actual performance.

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Table 2: DJIM Target Risk Indices – target allocations			
Index risk profile	**Equity (%)**	**Fixed income (%)**	**Cash* (%)**
Conservative	20	72	8
Moderately conservative	40	54	6
Moderate	60	36	4
Moderately aggressive	80	18	2
Aggressive	100	0	0

Source: S&P Dow Jones Indices.

Multifactor indices

The S&P GIVI Shariah is a rules-based series designed to deliver both lower volatility and performance by weighting component companies by intrinsic stock value rather than by traditional market capitalization. This multifactor approach considers a company's book value and discounted projected earnings in order to capture two essential contributors to portfolio performance: low volatility and value. Demand for this investing approach within conventional portfolios has found its place within Shariah indices and has been made available in the form of global, developed, emerging and various regional Shariah indices. The S&P GIVI Shariah Indices highlight multifactor index solutions available to Shariah investors.

Multi-asset benchmarks

Demand for multi-asset indices has increased in recent years as investors seek to maximize growth and minimize risk. The S&P Pan Arab Shariah Balanced Indices combine Pan Arab Shariah compliant equities and Sukuk in several predefined allocations in order to target various risk profiles. Varied equity-to-Sukuk allocations are available, including 75% equity, 60% equity and 25% equity offerings.

Most recently, the DJIM Target Risk Shariah Indices were introduced to the market. Each available index has a predefined allocation to equities, fixed income and a cash component in order to target defined risk profiles. For example, the Dow Jones Islamic Market Target Risk Moderate Index reflects a 60% allocation to Shariah compliant global equities, 36% to Sukuk and 4% to a cash component. The assigned risk level depends on the allocation to equities and indices are available under five separate risk profiles as displayed in Table 2. Market participants also have the choice of capturing global equity exposure or US-only equity exposure from the various offerings. Such developments allow a wider variety of choices available in terms of asset classes and allocation options across various investment landscapes.

Conclusion

Islamic indices provide market participants with a comprehensive set of benchmarks covering both equities and Sukuk as well as a wide variety of investment themes and strategies. Although Islamic equity indices are necessarily limited in coverage, particularly in certain sectors such as financials, Shariah compliant index innovation has largely mirrored that of the conventional space. Today, Shariah compliant index solutions encompass a range of asset classes, themes and strategies in order to meet the diverse benchmarking needs of the Islamic investment community.

Gold in Islamic finance — investor insights (market update: March 2019)

Introduction

Gold has a deep historical connection with Islamic finance but its development as an asset class was limited by a lack of Shariah guidance. In 2016, this much-needed guidance was provided by AAOIFI's Shariah Standard on Gold, developed in collaboration with the World Gold Council. This removed one of the barriers preventing the development of gold-backed products in Islamic finance.

In 2018, we undertook research to understand how investors view Islamic finance, their attitudes toward gold, and preferences for gold-backed products. The insights summarized in this update will help banks and other institutions to launch gold-backed financial products that meet the needs of modern Islamic investors.

Gold in Islamic finance

Gold has a long association with Islamic finance. For centuries, the gold dinar was the currency and trading standard of the Islamic world. But as Islamic finance grew and developed, so did the need for clarity around the Shariah treatment of gold: as a Ribawi item, it is subject to strict trading rules. Debate about whether gold is a currency or commodity hampered investment.

This uncertainty was removed following the 2016 launch of the Shariah Standard on Gold, which provides a comprehensive framework for the development of gold-backed financial products, including gold exchange-traded funds (ETFs), investment accounts, savings plans and spot contracts. Since the standard was launched, a number of new Shariah compliant products have been developed.

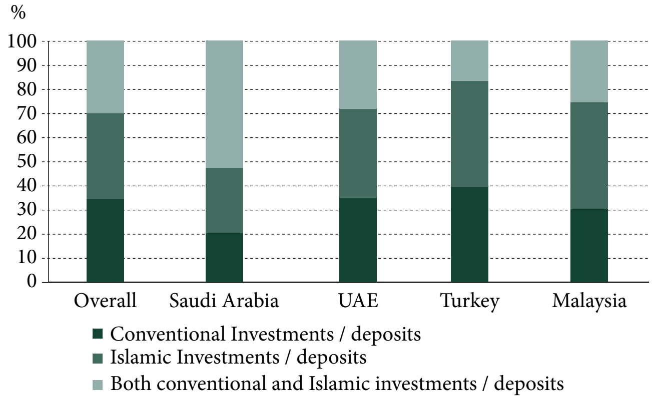
We have been working with Islamic banks and other financial institutions since 2016 to further develop the market for Shariah compliant gold-backed products. As part of our engagement, in 2018 we partnered with global research agency Kantar TNS to conduct a comprehensive survey of 4,000 retail investors in four predominantly Muslim markets — Saudi Arabia, the UAE, Turkey and Malaysia – to gauge their attitude and approach toward Islamic investing and gold (for details on the research methodology and sample, see the World Gold Council's 'Gold in Islamic finance: retail investor insights', 2018).

Islamic investment trends

Islamic finance is a large market. In 2017, total assets surpassed US$2 trillion for the first time. And it is growing: some estimates suggest a long-term compound average growth rate of over 9% (see Islamic Financial Services Industry Stability Report, 2018).

This positive outlook is reflected in the findings from our research. Two-thirds of those we surveyed would prefer their investment holdings to include Islamic products. Just under one-third, on average, would prefer to hold purely Islamic investments (see Chart 1).

Chart 1: Preference for Islamic investments

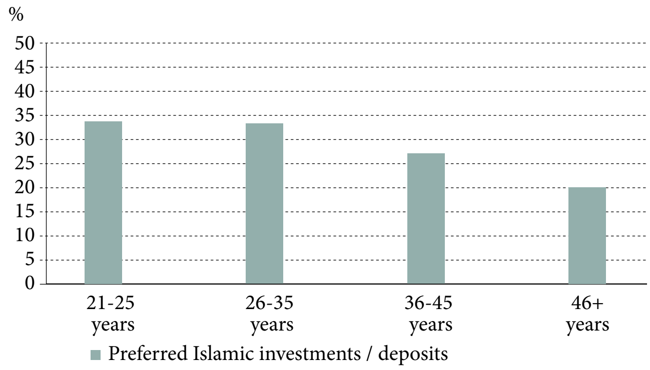


Sources: Kamar TNS, World Gold Council

And a clear majority (76%) of investors open to holding Islamic products stated that they were likely to increase their investments in Islamic products in the next 12 months. In Malaysia — a market that has pioneered product development in Islamic investment — investors showed the greatest inclination to build their exposure to Islamic investments, highlighting the link between Shariah compliant product innovation and retail investor participation. As the market for Islamic finance grows, product diversity will be key to meeting the financial needs of consumers and increasing the resilience of the Islamic finance system. It is essential that investors have access to Shariah compliant safe haven assets and powerful financial diversifiers; gold plays these roles and more.

Interestingly, younger investors are more likely to show a preference for Shariah compliant investments (see Chart 2).

Chart 2: Younger investors prefer Islamic investments



Sources: Kamar TNS, World Gold Council

The pace of product development and innovation in this industry in recent years has created a diverse range of Shariah compliant products designed to meet contemporary investment needs, which may have attracted younger generations into the market, according to **Malaysia International Islamic Finance Centre's report titled 'Technology and Innovation in Islamic Banking, 2016'**. Younger investors are more likely to be assertive and undertake due diligence on Islamic products — they are more likely to consult a scholar or insist on seeing the relevant Fatwa before coming to an investment decision. Marketing materials emphasizing the Halal credentials of these new products may therefore land well within this generation.

And Islamic investors do not choose these products purely on religious grounds: 47% of survey respondents thought Islamic investments were safer than conventional ones, while 49% thought that they were more ethical.

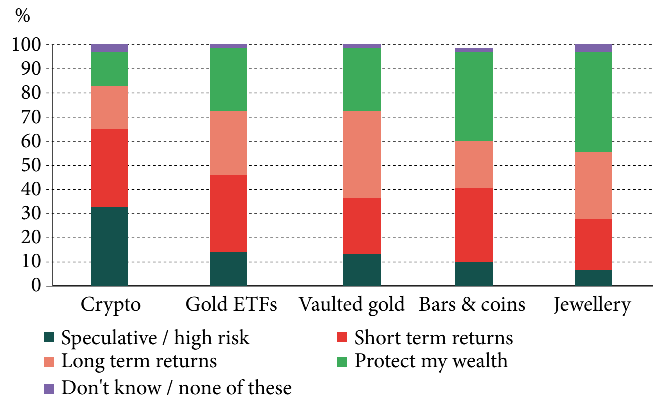
More broadly, Islamic finance can address a pressing policy issue facing many predominantly Muslim countries: financial inclusion. For example, according to the World Bank, only 14% of the Saudi Arabian population had formally saved money at a financial institution in 2017. The further development of Islamic finance will ensure Islamic investors have access to a wider range of products which meet their investment needs, which may boost financial inclusion. Our research shows that gold can play an important role in this.

Attitudes toward gold

The importance of 'safety' in driving investment decisions in Islamic finance makes gold an attractive asset class. It is a physical asset, outperforms many other Islamic asset classes and has little correlation to other financial instruments. Our research looked at attitudes to gold and some of the different gold products now available in Islamic markets.

Different gold investment products can meet different investor needs. Gold bars, coins and high-carat jewelry are chiefly viewed as protecting wealth or generating long-term returns. Gold-backed financial products, including ETFs and investment accounts, are also seen as fulfilling these roles, but these products are also more likely to be thought of as speculative or a means of generating short-term returns (see Chart 3).

Chart 3: Differing role of investments in gold and cryptocurrencies



Sources: Kamar TNS, World Gold Council

These subtle variations in the way investors view different gold investment products are understandable: physical gold stored at home or in a vault is a tangible investment held outside the financial system. It may have strong cultural and traditional links, underpinning its role as a long-term investment. On the other hand, gold-backed financial products such as ETFs are designed to be easily traded, either online or over the phone. Their transparent fee-structure may chime more strongly with investors seeking short-term returns.

Despite the slightly higher risk profile that these investors attach to gold-backed ETFs compared to more 'traditional' gold products, they are nonetheless considered to be a 'safer', longer-term wealth protection vehicle than some other types of investments, including equities and even corporate and government bonds. And they are viewed as being far less 'risky' than cryptocurrencies. Only 20% of those we surveyed were invested in cryptocurrencies — and they primarily did so to meet short-term or speculative objectives. Interestingly though, the proportion of investors holding cryptocurrencies was higher among those already investing in gold: 25% of gold investors also had an allocation to cryptocurrencies. The fact that investors view these products as performing different functions helps explain the overlap: they may be viewed as balancing one another out.

Key product features

To support further development of the market for Shariah compliant gold investments, our survey explored three gold investment products — gold bars and coins, vaulted gold products (eg gold investment accounts) and gold-backed ETFs — to identify which features best appealed to Islamic retail investors (vaulted gold covers gold investment products which are stored at a professional vault on the investor's behalf).

Most respondents expressed a strong preference for gold bars and coins and, to a lesser extent, vaulted gold. Far fewer said they would prefer the gold-backed ETF investment option. This reflects the current availability of products in Islamic finance; and as more sophisticated products are launched, and the understanding of the role of different products increases among investors, these preferences are likely to change.

But despite the clear preference for bars and coins, there were elements of each of the three products that investors found appealing as explained in the following.

Simplicity and clarity. Respondents tended to prefer gold bars and coins chiefly because they find the product easy to understand. The simplicity of buying a tangible investment, which is also easy to sell, helps explain its popularity.

But there is room for improvement. Some investors would benefit from greater clarity around how and where to sell their gold and the fees they will pay to do so.

Convenience and security. Vaulted gold products, such as gold investment accounts, are recognized for their convenience — notably, their minimal investment requirements and online accessibility. Security is also seen as a benefit: in particular, the ability to store gold safely with a bank or bullion dealer — rather than at home — is a key attraction. The respondents would, however, prefer the additional convenience and security of being able to store the gold within their own country. And they would like to be able to redeem their gold holdings quickly.

Seamless trading. Although gold-backed ETFs were a less popular choice, the speed and ease of online trading that they offer is seen as a major benefit among those who said they prefer these products. Investors also prized the security offered by the gold being held in an allocated account.

But there was a perception among investors that gold-backed ETFs were associated with a higher level of risk than the other products: the fact they can be traded on an exchange meant many of these retail investors felt it is a more sophisticated investment product than they are comfortable with.

And one overriding theme to come through was the importance of physical gold. If they are to invest in gold-backed ETFs, retail investors want the ability to redeem their investment in physical gold should they choose to sell. Almost two-thirds of investors (65%) would prefer to receive physical gold rather than cash if they were to sell an investment in a gold-backed ETF. The same was true for vaulted gold, highlighting the strength of the connection with the physical underlying gold.

Summary

Our research gives unprecedented insights into the preferences, perceptions and behaviors of Islamic investors. It showcases the clear opportunity for gold in Islamic finance, with 76% of Islamic investors we surveyed open to increasing their exposure to Islamic investments in the near future.

Gold's Shariah compliance is a recognized benefit among this audience. On the whole, they view gold as a long-term investment, which chimes with their perception of Islamic investments as being 'safer' than conventional investment products. And there are key features associated with different gold products that resonate among these investors. If these product attributes are clearly and effectively communicated, gold has a clear opportunity to cement and strengthen its position in Islamic finance.

This article was contributed by the World Gold Council.

Case for gold in 2019

"Gold has motivated civilizations through the centuries to aim higher and strive harder. Gold is more than just a financial asset; it is an integral component of human life."
— Dr Hamed Hassen Merah, a former secretary-general of AAOIFI

JOHN DURHAM
Manager of the Depository of the Gold Corporation, Perth Mint
John.Durham@perthmint.com.

Central bank buying surges

2018 marked the largest single year of gold buying by central banks since 1967, a time when the gold standard was in place and the precious metal played a vital role in international finance.

At the end of 2018, the World Gold Council (WGC) announced the tonnage of gold bought by central banks over the year was the second-highest annual total on record.

Central bank net purchases reached 651.5 metric tons last year, a massive 74% higher than the previous year's 375 metric tons.

The WGC reported that net purchases jumped to their highest since the end of US dollar convertibility into gold in 1971 as more central banks bought gold as a diversifier. It has estimated that the so-called official sector now holds nearly 34,000 metric tons of gold.

Some of the more notable purchases by sovereign entities during 2018 were:

- China
- Russia
- Turkey
- India
- Iraq
- Kazakhstan
- Hungary
- Poland, and
- The State Oil Fund of Azerbaijan.

Buoyant interest in the precious metal pushed total gold demand in 2018 to 4,345.1 metric tons, up from 4,159.9 metric tons in 2017.

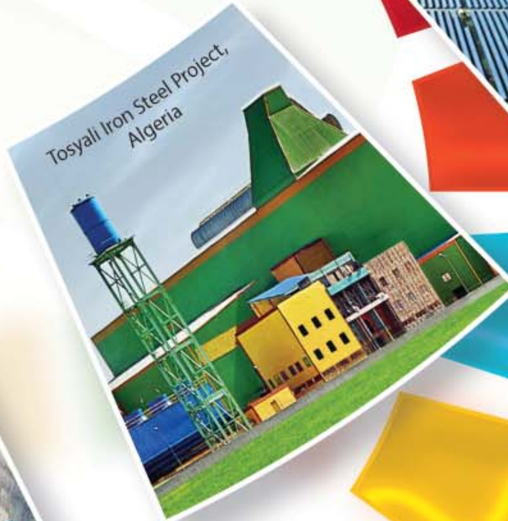
Looking ahead into 2019, the WGC forecasts central banks and private investors across the globe will continue to buy gold. This is due to the interplay between gold's use as a hedge against potential risk and its role as a long-term savings tool, particularly as many analysts forecast slowing growth in the US and Europe alongside middle-class expansion in emerging markets.

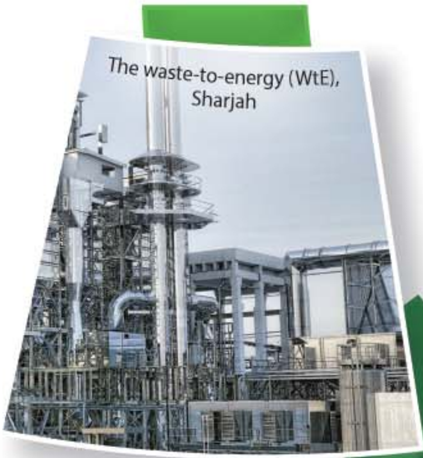
ICIEC

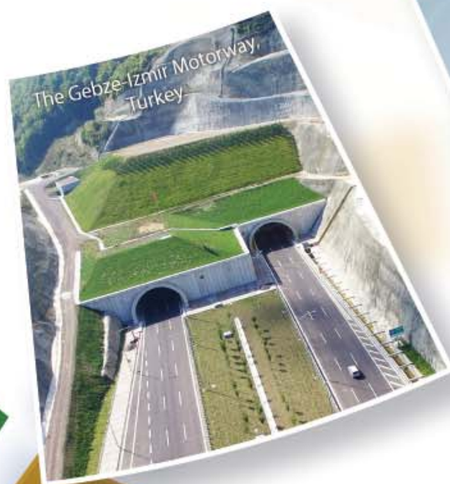
25 YEARS PARTNERSHIP FOR DEVELOPMENT

IsDB
مجموعة البنك الإسلامي للتنمية
Islamic Development Bank Group

PARTNERSHIP FOR DEVELOPMENT







About ICIEC

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is a member of the Islamic Development (IsDB) Group. The driving ambition behind the creation of ICIEC was to strengthen the economic relations between member countries of the OIC on the basis of Islamic Shariah. The ICIEC vision is to be recognized as the preferred enabler of trade and investment for sustainable economic development in Member Countries. Its mission is to facilitate trade and investment between member countries and the world through Sharia-compliant risk mitigation tools.

iciec.isdb.org ICIEC-Communication@isdb.org

In light of these recent insights, private financial institutions may wish to consider why central banks are investing in gold at current price levels and whether they and their clients should follow suit in their own portfolios.

As one of the world's most highly accredited and largest fully integrated precious metals enterprises, The Perth Mint offers a range of Shariah compliant options. These allow private financial institutions to share with their clients this same convenient and liquid diversification tool sought by central banks, with The Perth Mint's unique government guarantee.

As well as providing hedging and saving opportunities, products from The Perth Mint have been endorsed by highly respected Shariah advisory consultants Dar Al Sharia, in accordance with the Shariah standard on gold set by AAOIFI.

Within a Shariah compliant portfolio, gold can play a vital and effective role as follows:

1. **Diversification tool**

   Over the 10 years to October 2018, gold's correlation to major Islamic equity indices ranged from only 0.14 to -0.03.

   In relation to Sukuk and Islamic REITs, over the same period gold exhibited a minimal correlation of 0.05 and 0.03 respectively.

   Gold's low correlation with other asset classes within a portfolio can help investors minimize risk, reduce volatility and potentially enhance returns.

2. **Low volatility**

   Gold is less volatile than major Islamic equity indices, REITs and the Takaful index.

   While gold can be more volatile than Sukuk, it is potentially a safer asset class because it carries no credit risk or third-party liability.

3. **Strong risk management**

   Gold's behavior as a risk management tool is particularly significant for Islamic investors given derivative-based risk management instruments — such as credit default swaps and conventional futures or forwards — are not Shariah compliant.

4. **Many traditional safe haven assets are not Shariah compliant**

   US Treasuries, conventional money market funds or other developed market sovereign bonds are often favored during times of market turbulence. However these, like many risk management tools, are not Shariah compliant.

   Gold, on the other hand, offers a larger and more liquid Shariah compliant asset pool than what has been traditionally available as a safe haven.

5. **Long-term preserver of wealth**

   Gulf-based investors generally hold positions denominated in the US dollar or a currency pegged to the dollar.

   However Southeast Asia-based investors tend to denominate their positions in local currencies, usually the Malaysian ringgit or Indonesian rupiah. These currencies have historically fluctuated against G10 currencies and have tended to underperform during periods of severe market instability.

   Adding gold to a ringgit or rupiah-denominated portfolio can greatly moderate exchange rate risk.

A trusted source of gold

Australia's leading precious metals enterprise, The Perth Mint is:

- 100% owned and audited by the government of Western Australia, which provides a unique government guarantee on all precious metals stored on investors' behalf.

  The guarantee is underpinned by Western Australia's S&P's short-term credit rating of 'A1+'.

- Trusted to secure wealth worth more than AU$3 billion (US$2.15 billion) for clients from more than 130 countries across the globe. The Perth Mint safeguards precious metals for clients including central banks, sovereign wealth funds, pension funds and individuals within its network of central bank grade vaults, the largest such network in the southern hemisphere.

- The refiner of choice of more than 90% of Australia's and almost 10% of the world's newly mined gold. As Australia's oldest operating mint, The Perth Mint has been producing premium bullion products for 120 years.

- One of only a few global precious metal refiners accredited by all five of the world's major gold exchanges: London Bullion Market Association, New York Commodities Exchange, Shanghai Gold Exchange, Tokyo Commodities Exchange and the Dubai Multi Commodities Centre.

- Dedicated to boycotting conflict metals.

  The Perth Mint upholds the responsible gold and silver standards presented by the London Bullion Market Association and the OECD.

Share the convenience of The Perth Mint's online platform with your clients

The Perth Mint's Depository Online platform, offering its Shariah compliant allocated and pool-allocated precious metals options, is easily configurable as a white-labeled service and can be tailored to your individual needs.

Enabling 24/7 live pricing, the mobile phone-friendly platform is underpinned by the highest level of security, with transactional confidentiality assured.

Through The Perth Mint's close relationship with the WGC, it can facilitate the training of staff and product marketing among existing and new clients.

** The Shariah Compliance Pronouncement on Tradability of Gold and Silver Products may be found at perthmint.com/ShariaCompliance.*

Further details about The Perth Mint can be found at www.perthmint.com/invest.

The Carrera Learning online training platform

During IFN Asia Forum in Kuala Lumpur, Carrera Learning was pleased to showcase an innovative online training platform enabling users to learn Islamic finance at the click of a button. The Carrera Learning platform contains training on various topics related to Islamic banking and finance ranging from Islamic retail banking and Takaful to Islamic capital markets.

ZAINEB SEFIANI
Founder and director of Carrera Learning
z.sefiani@carreralearning.com

During the forum, we heard from several organizations on the importance of technology and artificial intelligence in this sector and how a lot of processes will be replaced by technology. We believe that sooner or later the traditional face-to-face training will disappear and will be replaced by technology. The Carrera Learning platform is a breakthrough product that manages to truly replace and ameliorate the training experience by taking learners' career path to the next level.

The way the training is provided is in line with many Islamic financial institutions that are looking to efficiently train their staff. The interactive videos are very easy to follow. The structure of each training module is usually built on defining a concept, followed by an example and then a practice question to ensure content absorption. At the end of each video, there is a short one-page summary with the key takeaways. All the modules are bite-sized, taking between 15 to 30 minutes to complete.

For both large and small organizations, the Carrera Learning platform is the ideal way going forward for an effective training experience. It is user-friendly, cost effective and scalable.

The platform has revolutionized the way Islamic finance training is delivered by offering endless customization for an organization. For instance, training can become weekly deliverables or can also be set up so that employees need to achieve a certain score before they can move on to the next module. People working in the same organization can comment and chat to each other via the platform. The human resources department or managers can track the progress of employees and support them in the areas where they need the most help.

The platform comes with an online chat function with qualified Islamic finance professionals, allowing learners to ask questions at any time.

At the forum, Carrera learning called on Islamic finance experts and Shariah scholars to join hands in assisting to develop talent in Islamic finance. Carrera learning is open for anyone to add content and get paid for it. We believe this will enable us to capture good content that is still being delivered in the traditional way.

All training come with a certificate of completion and also offers the opportunity to take accredited certification from the Chartered Institute for Securities and Investments such as the Islamic Finance Qualification.

Additionally, Carrera Learning is translating all content into Arabic to cater to the needs of Arabic-speaking countries. We expect to roll out our first Arabic content by June 2019.

In order to promote the development of talent in Islamic finance, some of the modules are free and accessible to anyone wishing to learn more about Islamic finance.

Enabling Responsible Investments

EQUITIES

Covering 40,000+ stocks; where fund managers can screen equities using different Responsibile, ESG and Faith-based Investment guidelines.

FIXED INCOME

A unique, pioneering global Sukuk screening solution. ESG and Green bonds provided based on ad-hoc arrangements.

REITs

Global listed REITs database that could be screened in accordance with different guidelines and takes into consideration the tenant revenue details.

INDEXES

IdealRatings is able to provide custom-built indexes for Equities and REITs as per the required guidlines and elgibility parameters.

BROKERAGE

The solution houses the ability to screen global equity markets, technical analysis for the markets and listed companies.

FUNDAMENTAL RESEARCH

Custom solution for regional and global buy/sell recommendations catered to our white-labelling clients.

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Serba Dinamik's Sukuk: Asia Pacific's maiden US dollar high-yield Sukuk

Earlier in May, Serba Dinamik, a Malaysian engineering services and solutions conglomerate, floated a US$300 million Sukuk facility. The issuance, maturing in 2022, was touted as the first-ever US dollar high-yield Sukuk facility in the Asia Pacific region.

The facility was placed by SD International Sukuk under Serba Dinamik. "The transaction combines a high-yield covenant package and credit structure with Wakalah Bi Istithmar and represents the first US dollar high-yield Sukuk offering in Asia Pacific," Clifford Chance, the legal counsel advising on the international aspects of the paper, explained.

Due in 2022, the Sukuk facility is listed on the Singapore Stock Exchange and the Labuan International Financial Exchange. HSBC is the issuance's sole global coordinator and principal advisor, and is joined by Credit Suisse as the joint bookrunners and joint lead managers.

Clifford Chance put together a team comprising experts in Islamic finance, high yield and US securities from their global office as well as their Singapore and Dubai operations to advise on the deal.

"We are delighted to have advised Serba Dinamik on this groundbreaking transaction, which combines high-yield credit concepts with Islamic finance principles — a unique transaction in Malaysia and the broader Asia Pacific. We hope this transaction opens the way for other issuers who may wish to access US dollar high-yield markets, while preserving the compliance of their capital structures with Shariah principles," said Gareth Deiner, a Clifford Chance partner who led the team.

S&P Global Ratings assigned a preliminary 'BB-' rating to the paper, whereas the issuer was assigned a long-term issuer credit rating of 'BB-', on the back of, among others, the company's modest scale with commoditized service offerings, limited record of large-scale project execution outside of oil and gas and large investment needs for future business growth.

The issuance comes at the right time for the company as it has various business development strategies lined up for the near future. The company is allocating US$80 million to US$130 million for engineering, procurement and construction projects in Laos, Tanzania and Uzbekistan, as well as working capital for Middle Eastern operation and maintenance contracts, according to AmInvestment Bank.

Serba Dinamik's Sukuk

US$300 million

SERBA DINAMIK
SERBA DINAMIK
HOLDINGS BERHAD

8th May 2019

Issuer	SB International Sukuk
Obligor	Serba Dinamik
Size of issue	US$300 million
Tenor	Three years
Currency	US dollars
Maturity year	2022
Sole global coordinator and principal advisor	HSBC Bank
Joint bookrunners and lead managers	HSBC Bank and Credit Suisse
Legal advisor(s)/counsel	Clifford Chance, Zaid Ibrahim & Co
Listingn	Singapore Stock Exchange and the Labuan International Financial Exchange
Rating	S&P Global Ratings: 'BB-'
Structure	Wakalah Bi Istithmar
Rating	Malaysian Rating Corporation: 'MARC-1IS' RAM Ratings: 'P1'
Structure	Commodity Murabahah
Face value/minimum investment	SAR1 million (US$266,525)

Indonesian gas giant funds expansion through Islamic issuance

Indonesia's Aneka Gas, one of the country's biggest industrial gas companies, in March launched a public offering for Shelf-Registered Bonds I Phase III 2019 amounting to IDR180 billion (US$12.8 million) and Shelf-Registered Sukuk I Phase III 2019 amounting to IDR110 billion (US$7.8 million). The proceeds from the issuance will be used to refinance the company's outstanding conventional debt of IDR240 billion (US$17.1 million) maturing this year, with the remaining IDR50 billion (US$3.5 million) used as capital expenditure.

SAMATOR
PT Aneka Gas Industri Tbk.

Aneka Gas is the first and largest industrial gas company in Indonesia, and a market leader in the medical gas sector; with a well-diversified end customer base, nationwide distribution network and experienced management team. The company, owned by private family firm Samator, currently has 44 plants and 100 filling stations across Indonesia, with ambitious plans for further expansion.

A frequent issuer of bonds, Aneka Gas is no stranger to the Sukuk market — in April 2018 the firm issued IDR400 billion (US$28.4 million) in conventional and Islamic paper (with the Shariah compliant tranche accounting for a full 75% of the total transaction).

The latest Sukuk paper is the third tranche in the Aneka Gas Industri I Sustainable Bonds I and Sukuk Ijarah I program, with a target of issuing a total of IDR500 billion (US$35.6 million) each to reach IDR1 trillion (US$71.23 million) in fundraising by 2020.

Based on the well-known lease (Ijarah) structure, the contract refers to securities in which the owner, jointly, owns some part of the assets from which the profits have been transferred to the consumer or the originator according to the Ijarah contract. In Ijarah Sukuk, the right to use the profits of the assets or a series of assets is transferred from the owner to another party in exchange for the payment of the rent, making it a popular choice for manufacturing and commercial transactions.

Maturing on the 19th March 2022, the first interest payment for the recent Sukuk will be on the 19th June 2019. Listed on the Indonesia Stock Exchange (IDX), it brings the total Sukuk listed on the bourse to US$47.5 million. Underwriters for the Sukuk, which is rated 'A-(idn)' by Fitch Ratings Indonesia, are Indo Premier Securities and Mandiri Sekuritas.

The industrial gas supplier previously confirmed that it needs around IDR250 billion (US$17.55 million) to IDR300 billion (US$21.06 million) in capital expenditure to acquire assets including liquefaction units (among others). As of late 2018, the company owned 99 liquefaction units.

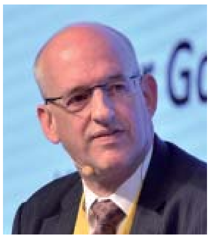
Aneka Gas has expanded by double digits over the past two years, and Islamic issuance has underpinned this aggressive growth strategy. In March 2019, the company announced that it would be building a new filling station, with a target of 10 stations by the end of the year.

With various plans and targets underway for the company for 2019, the Sukuk issuance is a timely exercise for the company, demonstrating the depth and convenience of the Islamic capital market as a method of financing asset expansion as well as refinancing existing debt.

Keynote Interview: Greater Shariah harmonization globally

DR BELLO LAWAL DANBATTA

Secretary-General Islamic Financial Services Board (IFSB)



PETER GODWIN

Managing Partner Herbert Smith Freehills

While standardization of the Islamic finance industry remains an enduring challenge, Dr Bello Lawal Danbatta believes that the community is moving toward the right direction as there is a greater effort toward harmonization. International standard-setting bodies have begun to dismantle the corporate silos which have prevented these agencies from working together resulting in confusion and lack of clarity faced by Islamic financial institutions with regards to Shariah finance governance and rules.

"In the past, there has not been much collaboration [between standard-setting bodies]," admitted Dr Bello, adding: "We have limited resources in terms of number of staff and so on, but why do we duplicate each other's work?"

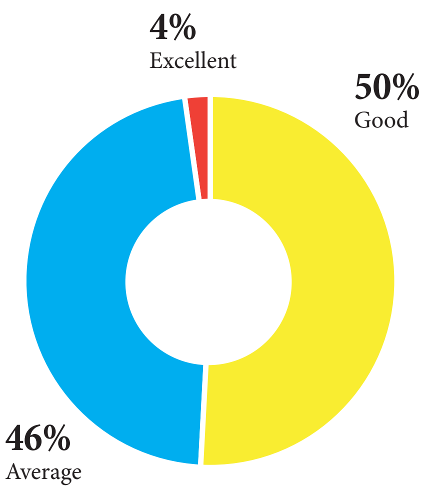
The IFSB and AAOIFI taking the lead by agreeing to work together on a new Shariah governance framework earlier in the year is a precursor to stronger inter-organizational synergy which would reduce the operational inefficiencies across the different entities, and more importantly address the urgent need for Islamic standard-setting bodies to be on the same page so as to optimize the governance and supervision of Shariah financial institutions.

> ***"The challenge is to move out of our comfort zones to bring to market innovative social impact products beyond debt-based instruments"***

"We've decided that we won't be duplicating each other's standards," shared Dr Bello. "I see more collaborations coming up and we look forward to collaborating with other standard-setting bodies such as the International Islamic Financial Market."

In April 2019, the IDB gathered various Islamic standard-setting bodies including the IFSB, AAOIFI and CIBAFI at its 44th Annual General Meeting, which Dr Bello indicated could be viewed as an instrumental avenue for more meaningful engagement between the different entities, and ultimately as another big step forward for greater Shariah harmonization and for the Islamic finance industry to advance forward.

But apart from standardization, Dr Bello also emphasized the importance for all sectors — Islamic banking, Takaful and Shariah capital markets — to take a hard look at how to grow their business and proposition. "The challenge is to move out of our comfort zones to bring to market innovative social impact products beyond debt-based instruments. Malaysia's value-based intermediation for example is a welcome development that we believe will drive the Islamic finance industry forward," he said.



Opening Bell: Leading Corporates Discuss Funding and Capital-Raising Options

We examine funding in key sectors and industries and ask what represents effective corporate finance and capital-raising strategies across multiproduct areas and markets. What do corporates want and what can Islamic finance offer? How can the Malaysian GLC sector further employ and benefit from Islamic funding options? We ask a high-level panel to share their expertise and views.

ABDULKADER THOMAS

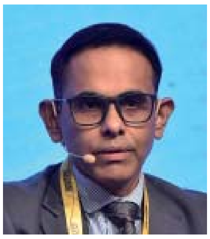
CEO, SHAPE Knowledge Service

FARIDAH BAKAR ALI

CFO, Khazanah Nasional

MOHAMED NAZRI OMAR

Managing Director/ CEO, Danajamin Nasional



MOHAMAD SAFRI SHAHUL HAMID

Senior Managing Director and Deputy CEO, CIMB Islamic

PAVAN KAUR

General Manager, Group Finance and Treasury, UMW Group

SIMON CHEN

Vice-President – Senior Analyst, Financial Institutions Group, Moody's Investors Service

Islamic finance may be maintaining a positive growth momentum; however, much of this expansion is being sustained mostly by the usual suspects: Malaysia, Indonesia and the GCC.

Malaysia remains one of the most prolific participants in the Islamic capital market space, a reality made possible thanks to decades-long strategic measures by the government and regulators to drive the Islamic finance sector. It is in this conducive environment that Sukuk and other Shariah financing instruments compete at par — if not at a better footing — with the conventional sector, making Sukuk a 'natural' choice for issuers such as UMW Group and Khazanah Nasional.

"Tapping the Islamic capital market makes sense because it allows us to tap a wider investor base," commented Faridah Bakar Ali, CFO of Khazanah Nasional.

At the heart, three main factors influence an issuer's decision to use conventional or Islamic structures: price, tenor and size.

"For us, our primary concern is finding out what is the best way to get the most efficient capital from the market," shared Pavan Kaur, the general manager of group finance and treasury at UMW. "We regularly tap the debt capital market given our funding size is often quite large (too large for banks) and also because we get better pricing from the debt capital market."

For the conglomerate, issuing a perpetual Sukuk paper last year was also a move that aligned with its funding strategy as it gave the company a capital management advantage, allowing it to manage its balance sheet without risking being overleveraged as the latter would have affected its investment grade ratings.

> *"Unfortunately, the performance and adoption rate of Sukuk and any other Shariah compliant instruments in Malaysia for that matter are not replicated in other markets"*

Mohamad Safri Shahul Hamid, CIMB Islamic's senior managing director and deputy CEO, noted that Sukuk often fetch a more favorable pricing; however, he added the caveat that this is not seen in any other markets outside of Malaysia with the exception of the GCC, although Indonesia is catching up. Unfortunately, the performance and adoption rate of Sukuk and any other Shariah compliant instruments in Malaysia for that matter are not replicated in other markets.

"This has always been the biggest challenge for Islamic bankers. How do we expand Islamic finance beyond Malaysia, Indonesia and the GCC? How do we expand Islamic finance to the G7 or G20 nations, to the more developed countries such as Japan, the US and those in Europe? This is indeed a challenge but we also see this as an opportunity," said Safri.

That being said, the panelists agreed that non-Malaysian investors and issuers are becoming more familiar and comfortable with Shariah compliant financial instruments. There is also an increasing demand for alternative Shariah financing options.

Danajamin Nasional, for example, has been receiving requests from mid-sized corporates with relatively smaller funding needs which may not be best met by Sukuk but are interested in Shariah asset classes.

"They are looking to raise about RM100 million (US$23.88 million) and Sukuk may not be suitable for them — they need something more flexible, something for a smaller amount, and an easy way to raise money," explained Nazri Omar, the managing director and CEO of Danajamin. "We are now exploring to expand our product base, working with stakeholders to see if we can expand into guaranteeing other financing facilities."

Sustainability is also a recurrent theme in the capital-raising strategies of corporates.

"Khazanah has a refreshed mandate: to look at long-term growth from investments for sustainable returns," said Faridah.

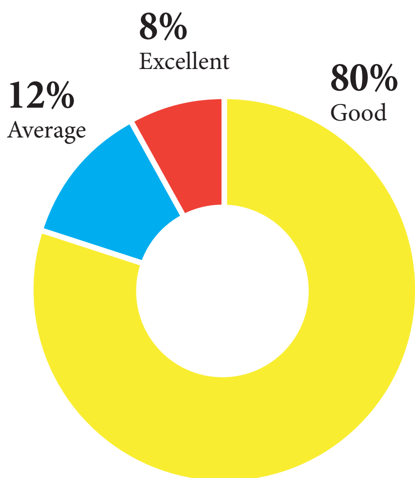
> ***"We are also exploring OBOR (One Belt, One Road) prospects which we expect about US$5 trillion to be spent on this initiative"***

Sustainable returns aside, corporates are also invested in the sustainable finance proposition which includes the financial disciplines such as value-based intermediation, socially responsible investment (SRI) and environmental, social and governance, among others. Islamic bankers are keeping an eye on the Islamic equity space as not only corporates, but regulators, are embracing ethical finance: Securities Commission Malaysia is expected to introduce an additional Islamic positive SRI screening layer on top of Shariah compliance screening, which could be an interesting development for the Islamic equity market.

Expecting key Islamic financial markets across Southeast Asia and the Middle East to rake up to US$50 trillion in spending between now until 2030, which represents huge Islamic finance opportunities, Safri also noted that other non-Muslim markets — particularly China — are also potentially attractive markets given their active interest in the Halal space.

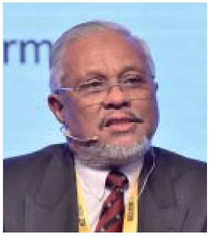
"China is quite gung ho about the Halal corridor and business and we see this as an opportunity for us; we are also exploring OBOR (One Belt, One Road) prospects which we expect about US$5 trillion to be spent on this initiative," shared Safri.

"Over the last 10 years, we are rating more Sukuk particularly from Asia. We see growth in cross-border Sukuk particularly from Malaysian corporates and sovereigns in Southeast Asia. But we are also seeing new markets springing up such as Hong Kong, Bangladesh and even India," according to Simon Chen, a vice-president and senior analyst with Moody's Investors Service. Chen opined that Islamic finance is increasingly becoming an asset class of choice for both issuers and investors based on the growing interest and familiarity with Sukuk documentation and the regulatory environment among institutional players.



VINEETA TAN

Managing Editor, Islamic Finance news



ABDUL FATTAH YATIM

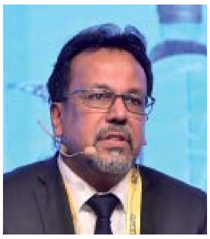
Chairman, Malaysia's National Standards Technical Committee on Blockchain and Distributed Ledger Technologies

DR AISHATH MUNEEZA

Board Shariah Committee Member, CIMB Islamic

AZNAN HASAN

Deputy Chairman, Shariah Advisory Council, Securities Commission and Shariah Board Member, Wahed Invest



BASHEER AHMAD

Senior Manager, Markets, Dubai Financial Services Authority

JOANN ENRIQUEZ

CEO, Investment Account Platform

WONG WAI KEN

Country Manager (Malaysia), StashAway

IFN Fintech Huddle: Power Capital

What does technological innovation mean for capital-raising and financing for Shariah capital issuers? We discuss blockchain, ICOs and crowdfunding and identify what the next big tech shifts for raising money are.

- Fundamentals of fundraising have not changed but the mechanism to raise capital is evolving at a rapid pace.

- It is widely agreed that technology optimizes cost and time efficiency as well as increases transparency and accountability in financial transactions; however, regulators are still grappling with how to navigate and regulate the new wave of tech-driven financial activities such as digital investment management, crowdfunding and initial coin offerings.

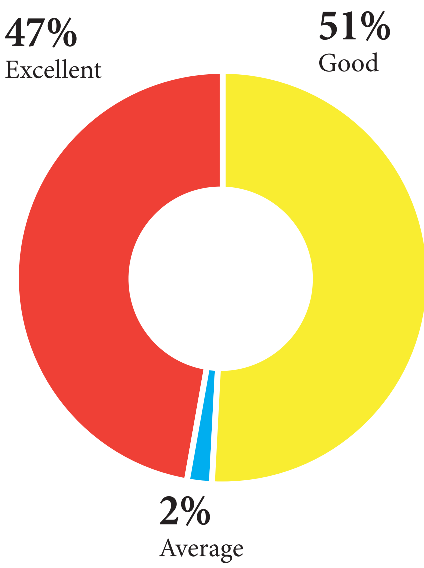
> ***Regulators are still grappling with how to navigate and regulate the new wave of tech-driven financial activities***

- While the supply side is becoming more efficient in allocating capital, Islamic digital fundraising avenues are still relatively limited.

- New platforms are unlocking previously unmet demand: retail investors, previously priced out of the market, and institutions with new streams of funding and access to higher-yielding asset classes.

- Incumbents will have to enter the digital-mediated capital-raising sphere sooner rather than later as investors become more sophisticated in their demand.

- Rather than worrying about the potential impact on the job landscape triggered by automation, Islamic financial institutions should instead look to partner with digital platforms to tap new opportunities, particularly in the lucrative retail segment.



Sovereign, Multilateral and Supranational Issuers and the Islamic Market

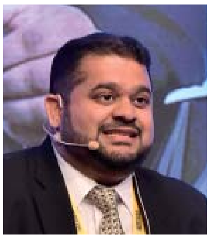
We ask a leading panel for their views on sovereign and multilateral agency issuance and ask what Islamic funding facilities can offer governments, development banks and supranational organizations. What are these issuers looking for in terms of pricing, tenor, structure and distribution?

ABDULKADER THOMAS

CEO, SHAPE Knowledge Services

ANGUS AMRAN

Treasurer and Head, Financial Markets, RHB Investment Bank



AYAZ ISMAIL

Director — Wholesale Banking, CIMB Islamic

DELVIN CHONG

Senior Vice President, Treasury and Capital Markets, Cagamas

LEE WAN MONE

Executive Director, International Islamic Liquidity Management Corporation

2018 saw a decline in sovereign and supranational Sukuk issuances, registering US$78 billion in total, lower than the all-time high of US$93 billion recorded in 2012, according to Moody's Investors Service. But the market is expected to recover this year, and surpass its record-high volumes by 2020 — and possibly sooner — on the back of higher deficit financing needs amid moderate oil prices, in particular for sovereign issuers in the GCC; higher Sukuk refinancing needs especially in Malaysia; and a gradual increase in the share of Sukuk in major issuers' fiscal deficit financing — allowing issuers to diversify further their sources of financing.

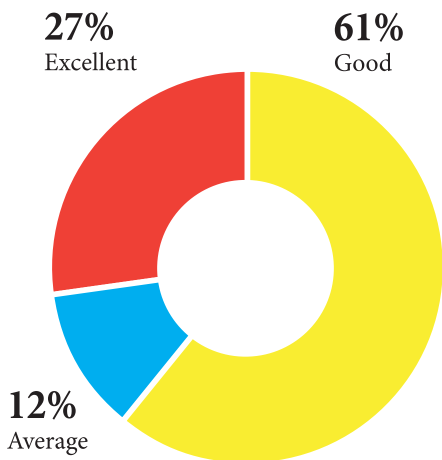
Given its importance and subsequent opportunities presented by the non-corporate Sukuk industry, IFN Asia Forum this year organized a session dedicated to sovereign, multilateral and supranational issuers in the Islamic market. The session, which ran for approximately an hour on the 23rd April, witnessed the participation of Angus Amran, the treasurer and head of financial markets in RHB Investment Bank; Ayaz Ismail, the director of wholesale banking in CIMB Islamic; Delvin Chong, the senior vice-president of treasury and capital markets in Cagamas; as well as Lee Wan Mone, the executive director at International Islamic Liquidity Management Corporation. The session was moderated by Abdulkader Thomas, CEO of SHAPE Knowledge Services.

The session kicked off with the panelists giving their take on the current status of the industry. Angus explained that the market is still in its adolescent stage; with more interest shown by nations that are frequent bond issuers such as the Philippines, the market is set for growth in the upcoming years. Lee agreed, saying that the growth of Islamic assets also contributes to the growth of the sovereign Sukuk market.

Speakers also touched on the need for standardization and how much of it is needed to boost the market. Angus opined that standardization does not to be uniform, but it is more of an understanding of the various aspects of issuing Sukuk, such as the underlying assets, and to be able to avoid disputes. Ayaz followed this by saying that Malaysia, via its authorities like Bank Negara Malaysia and the Shariah Advisory Council, have done comprehensive work in this regard, and may be seen as examples by other nations looking to expand their sovereign Sukuk sector. Delvin and Lee agreed on this but emphasized that more efforts are needed by all parties involved in order to standardize the issuance process, especially in cross-border transactions.

AbdulKader then proceeded to ask the panelists what they would like to see as developments to the sovereign Sukuk sector. For this, Angus shared that the types of sovereign Sukuk could be expanded and if a market does not accept a particular Sukuk structure, other structures can be used to tap investors. He gave an example of Indonesia which does not accept the commodity Murabahah/Tawarruq structure, but has made use of the Wakalah structure, and it now has six sovereign papers using Wakalah including green papers.

Delvin added that innovation also plays an important part in the growth of the sector. He further explained that the investor pool comes with different risk appetites. "Innovation will come in handy if the paper does not require physical assets," Delvin said.



Issuer's Perspectives

AMRI SOFIAN

Chief Corporate and Investment Officer, Danajamin Nasional

RICHARD ONG

Executive Director, Malaysia Steel Works

SONNY HO

Founder and Managing Director, Belleview Group

With the participation of two Malaysian capital market issuers, this session explored the motivations and challenges in tapping the Sukuk segment for corporate capital-funding purposes.

Malaysia Steel Works (Masteel) tapped the Islamic market toward the end of last year with a RM130 million (US$31.41 million) Sukuk issued under a fixed rated program and rated 'AAA(fg)' by Malaysian Rating Corporation. The five-year paper was to assist the company to raise additional funds to repay existing term financing as well as meet their working capital requirements.

The Sukuk facility was issued at a time when the country's steel industry was undergoing an unfavorable period when steel demand in Malaysia fell 7.9% to 9.44 million metric tons in 2017 from 10.26 million metric tons in 2016. The growth of the consumption was recorded at -7.9% in 2017 from 2.6% realized in 2016. Among others, the deferments of the Kuala Lumpur–Singapore High-Speed Rail project and East Coast Rail Link project had impacted the industry.

Richard Ong, an executive director at Masteel, explained that it was not easy for steel players to obtain loans due to the economy. Therefore, Masteel branched out to explore the alternative financing options, resulting in the Sukuk being issued.

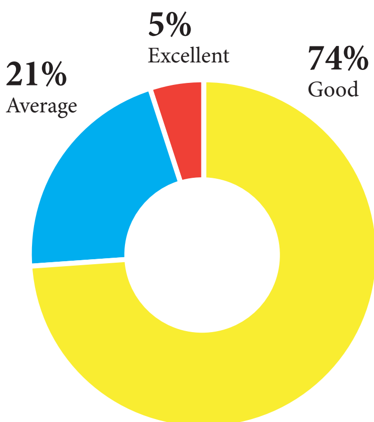
"The main challenge we experienced was market perception on the industry," explained Ong. "With the guarantee provided by Danajamin, Masteel's paper was a successful issuance. Cooperation of all the parties involved is also important to ensure the success and to attract more investors."

In a market such as Malaysia where investors prefer investment grade papers, a guarantee from the national financial guarantor is a crucial success determinant. This is also true in the conventional space.

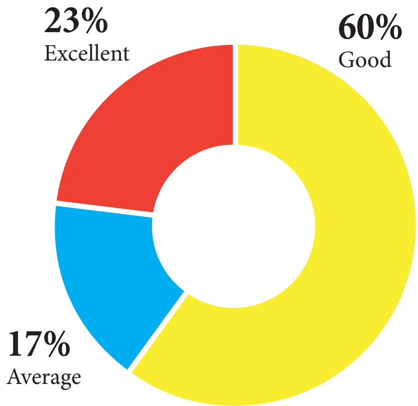
Belleview Group, which struggled to secure bank financing, managed to raise RM170 million (US$41.08 million) through an asset-backed bond, also backed by Danajamin. The asset underpinning the bond is a shopping mall in Alor Setar.

"We signed an agreement with the state of Kedah for the land of the shopping mall in 2009, a year after the 2008 Lehman Brothers financial crisis. Banks were reluctant to lend and as the loan was big, so it wasn't possible to get a loan. Timing was against us, so we shopped around and the acquisition of the land took two years. We met Danajamin and decided to issue a guaranteed bond," Sonny Ho, the founder and managing director of Belleview Group, said.

Ho also revealed to the crowd that Sukuk may be on cards. "10 years ago, Sukuk was not our option. But we are looking at raising another financing soon and Sukuk is one of our options," he said.



Presentation: Talent Development in Islamic finance



ZAINEB SEFIANI — *Founder, Carrera Learning*

Green Sukuk and Finance: Renewable Energy and Sustainable Projects

With SRI regulatory frameworks in place, the rise of stewardship and responsible investment, assets available and in many cases, fully Shariah compliant, green finance has a bright future. Through recent notable transactions we analyze product structures, investor demand, rating and reporting issues and ask whether green Sukuk is the way forward for funding sustainable and environmentally responsible projects and achieving sustainable development goals in Southeast Asia.

AZLEENA IDRIS

Head of Legal, KFH Malaysia

AZLIN AHMAD

Senior Associate, Herbert Smith Freehills

CHAIRIL NAZRI AHMAD

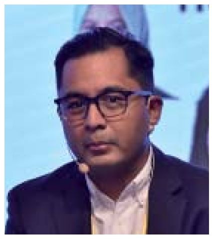
Head of Sector — Energy and Facilities Management, UiTM Holdings

HATINI MAT HUSIN

Senior Director/ Head Debt, Markets and Advisory, Affin Hwang Capital

LEE JOO WEE

Head of Debt Markets, OCBC Malaysia



RASHYID ANWARUDIN

Vice-President, Group Sustainability and Quality Management, Sime Darby Plantations

The main objective of the session was to analyze product structures, investor demand, rating and reporting issues as well as to find out if the green Sukuk trend is here to stay. Moderated by Azleena Idris, the head of legal from KFH Malaysia, the panelists were Azlin Ahmad, a senior associate at Herbert Smith Freehills; Chairil Nazri Ahmad, the head of sector for energy and facilities management at UiTM Holdings; Hatini Mat Husin, the senior director/head of debt, markets and advisory at Affin Hwang Capital; Lee Joo Wee, the head of debt markets at OCBC Malaysia; and Rashyid Anwarudin, the vice-president for group sustainability and quality management at Sime Darby Plantations.

The green and SRI Sukuk market has witnessed exponential growth in recent years, largely owing to Malaysia's regulatory efforts and Indonesia's consistent sovereign papers. The sector is expected to expand further, especially with increased interest in the Sukuk market and heightened awareness in financing projects the green way.

While the SRI and green Sukuk market is now a niche sector, Azleena believes it will become more mainstream due to its growing prominence in the international Islamic debt capital market. "Active participation and discussion are witnessed among central banks and regulators in enhancing this sector. In a few years, there may be regulatory implementations in terms of difference in capital charge if assets are against green initiatives," she expounded.

Rashyid, who said that Sime Darby is a founding member of the roundtable of

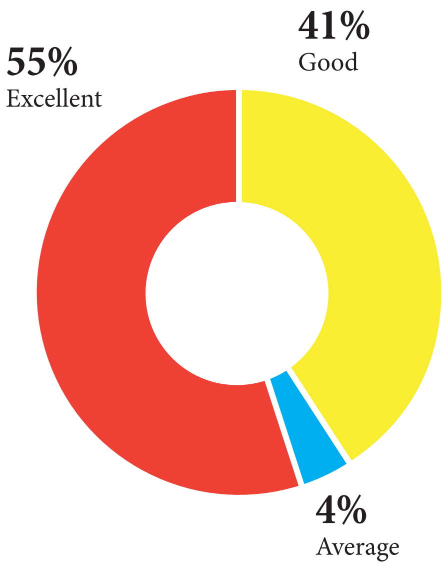
sustainable palm oil and is currently exploring how to go beyond its practices to improve supply chains and bring stakeholders, said that the firm is not only looking at sustainability practice, but also at the possibility of issuing green Sukuk.

Azleena asked Chairil on his experience of UiTM as the first university to issue Sukuk to fund a solar firm and the challenges that came with it. "Having a university as a shareholder, it was not an easy journey to issue Sukuk. The main challenge was to convince the board to go ahead with the solar plan. And then came the hurdle of trying to get financing," Chairil said, further explaining that all challenges were met successfully.

Hatini on her part explained the hurdles of arranging Tadau Energy's green Sukuk, a world's first, issued in 2017. She said that the biggest challenge was the difficulty in convincing the issuer to issue green paper. "There were no benchmarks in the market to prove it will bring better pricing, and the added cost in issuing green Sukuk was not helping either. Eventually, the issuer agreed that going green is the best option and agreed to it," she said.

Lee concurred, saying that the main challenge is to get issuers to look at green Sukuk as the most viable option. But this is changing, she explained. "With the government's initiatives to boost renewable energy, we have been approached for [a] consortium by local and international parties to finance their projects. We have also brought financial close to a project structured via green principles," Lee expounded.

In order for the green Sukuk sector to advance, panelists have called for better understanding on the cost of compliance, incentives for exceeding the 'green' target and annual monitoring of projects to ensure compliance to green standards.



Funding, Liquidity Issues and Supervision of Islamic Financial Institutions

We identify and discuss operational issues and challenges faced by Islamic financial institutions, including adherence to Basel III liquidity and IFSB regulatory requirements. What other supervisory and regulatory issues do Islamic financial institutions face and what are the solutions? What can regulatory capital Sukuk issuance and the use of tools such as commodity Murabahah offer Islamic financial institutions going forward?

ELIAS MOUBARAK

Partner, Trowers & Hamlins

AHMAD SHAHRIMAN MOHD SHARIFF

Director, Amanah Wholesale Banking, HSBC Amanah Malaysia

ROSLAN AHMAD

Chief Representative, DDGI

SHAIFUL NIZAM MOHD SHARIF

Head, Regulatory Audit, Affin Bank

YEOH XIN YI

Executive Director, Head of Financial Risk Management Services, KPMG Malaysia

The session was moderated by Elias Moubarak, a partner in Trowers & Hamlins; and was participated by Ahmad Shahriman Mohd Shariff, the director of Amanah Wholesale Banking in HSBC Amanah Malaysia; Roslan Ahmad, the chief representative of DDGI; Shaiful Nizam Mohd Sharif, the head of regulatory audit in Affin Bank; and Yeoh Xin Yi, the executive director and head of financial risk management services at KPMG Malaysia as panelists.

> ***“Smaller banks have limited resources which could prove problematic in borrowing”***

“The top concern in terms of liquidity in Islamic banks is that the top banks are strongly capitalized therefore raising capital is not an issue. But smaller banks have limited resources which could prove problematic in borrowing. There is a need to mitigate that,” said Ahmad. Roslan followed this up by saying that Islamic financial institutions have short-term funding for long-term assets, and there is demand but low issuance by the government or any other parties.

Elias asked the panelists what would be the best approach by regulators to curb this issue, prescription approach or principle-based. Panelists unanimously answered the principle-based approach is the best option to solve the distortion in the market in terms of liquidity.

Shaiful continued the discussion, suggesting that there is a rift in the industry, in terms of implementation and interpretation of the standards available in the market. He further stated that in some gray areas, central banks should come up with FAQs and guidelines in order to help parties interpret the standards.

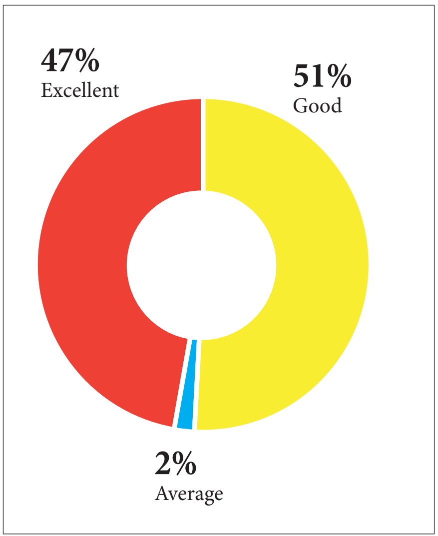
Yeoh opined that the depth of the market in terms of available assets is still in its infant stage. “There is a need to encourage more takeup and issuances. For this, regulators championing Islamic finance can collaborate with various organizations and perhaps come up with more consistent approaches to interpret contracts as well as introduce incentives for the related parties. This will ensure an increase in demand,” she said.

SPEAKERS' LIST DAY 1

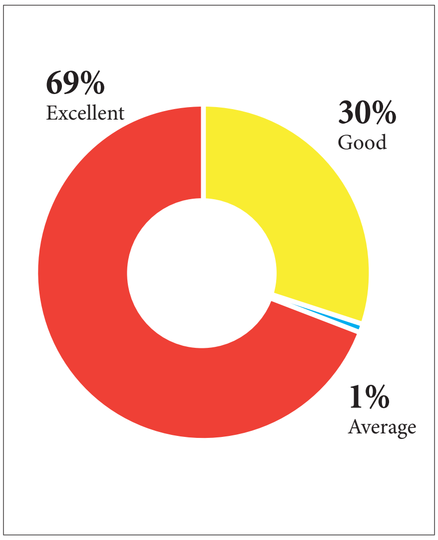
Name	Job Title	Company Name
Abdul Fattah Yatim	Chairman	Malaysia's National Standards Technical Committee
Abdulkader Thomas	CEO	Shape Knowledge Services
Adnan Zaylani	Assistant Governor	Bank Negara Malaysia
Ahmad Shahriman	Director	Amanah Wholesale Banking
Aishath Muneeza	Board Shariah Committee Member	CIMB Islamic
Amri Sofian	Chief Corporate and Investment Officer	Danajamin Nasional
Angus Salim Amran	Treasurer	RHB Investment Bank
Ayaz Ismail	Director — Wholesale Banking	CIMB Islamic
Azleena Idris	Head of Legal	KFH Malaysia
Azlin Ahmad	Senior Associate	Herbert Smith Freehills
Aznan Hasan	Deputy Chairman	Securities Commission & Wahed Invest
Basheer Ahmad	Senior Manager, Markets	Dubai Financial Services Authority
Dr Bello Lawal Danbatta	Secretary-General	Islamic Financial Services Board (IFSB)
Chairil Nazri Ahmad	Head of Sector — Energy	UITM Holdings
Delvin Chong	Senior Vice-President, Treasury & Capital Markets	Cagamas
Elias Moubarak	Partner	Trowers & Hamlins
Faridah Bakar Ali	CFO	Khazanah Nasional
Hatini Mat Husin	Senior Director/Head Debt Markets & Advisory	Affin Hwang Capital
Joann Enriquez	CEO	Investment Account Platform
Lee Joo Wee	Head of Debt Markets	OCBC Malaysia
Lee Wan Mone	Executive Director	International Islamic Liquidity Management Corporation
Mohamad Safri Shahul Hamid	Senior Managing Director & Deputy CEO	CIMB Islamic
Mohamed Nazri Omar	Managing Director/CEO	Danajamin Nasional
Nazzi Beck	Head, Islamic Banking, Asia	FAB Siraj
Pavan Kaur	General Manager, Group Finance & Treasury	UMW Group
Peter Godwin	Managing Partner	Herbert Smith Freehills
Rashyid Anwarudin	Vice-President	Sime Darby Plantations
Richard Ong	Executive Director	Malaysia Steel Works
Roslan Ahmad	Chief Representative	DDGI
Shaiful Nizam Mohd Sharif	Head, Regulatory Audit	Affin Bank
Simon Chen	Vice-President, Senior Analyst	Moody's Investors Service
Sonny Ho	Founder and Managing Director	Belleview Group
Vineeta Tan	Managing Editor	Islamic Finance *news*
Wong Wai Ken	Country Manager (Malaysia)	Stashaway
Yeoh Xin Yi	Executive Director, Hd, Financial Risk Management Services	KPMG Malaysia
Zaineb Sefiani	Director	Islamic Finance Navigator

OVERALL EVALUATION DAY 1

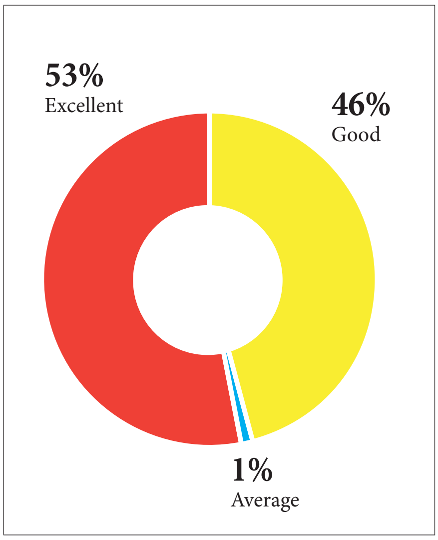
Pre-event Contact



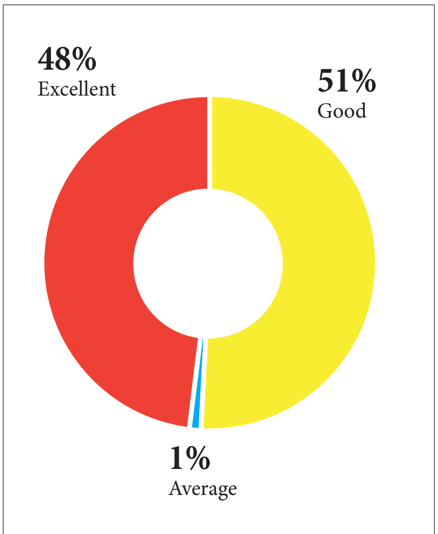
Venue & Facilities



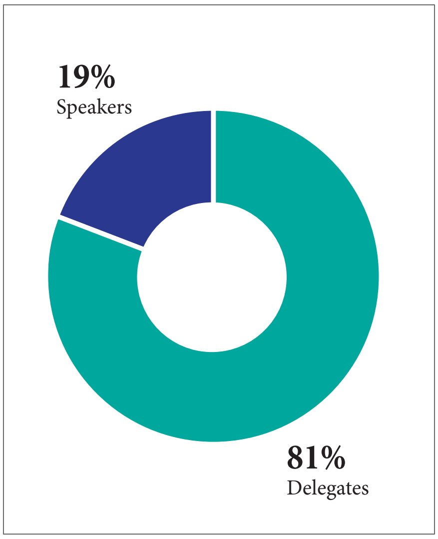
Overall Evaluation of the Event



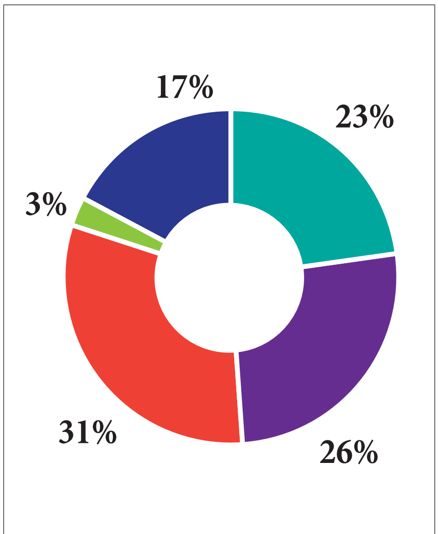
Overall Evaluation of the Speakers



Delegate Breakdown

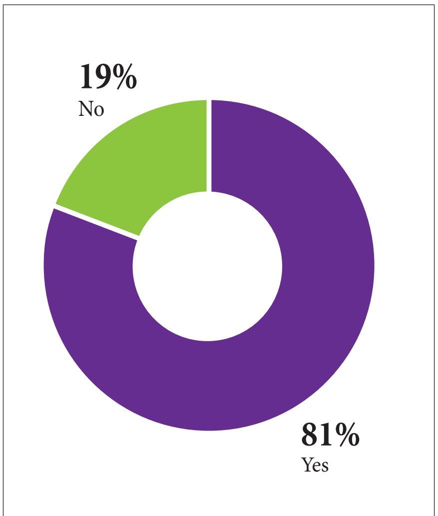


Delegate Job Title Breakdown

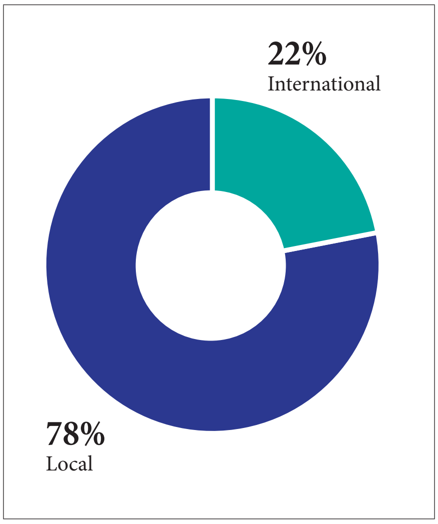


Delegate Job Title	No
Board Level Management	189
Senior Management	155
Management	138
Executive	105
Others	19
Total	**606**

Delegates Who Would Like to Attend IFN Asia Forum 2020



Delegate Breakdown (International & Local)



The Islamic Asset Management Industry: Challenges and Opportunities Going Forward

Where is the market today for Islamic asset management and from where will growth originate? Is Shariah compliant asset management a thematic investment strategy or a viable, self-supporting industry? Does the industry need to become more aligned to ESG/SRI? What is next for the Islamic ETF market? Through an engaging panel we seek answers. We also look at key challenges facing the industry, from product innovation to improving distribution channels through technology.

REJINA RAHIM

Managing Director and Country Head, Nomura Asset Management Malaysia

ANGELINE CHOO

Head of Southeast Asia and Greater China, S&P Dow Jones Indices

HAKAN OZYON

Senior Portfolio Manager, Global Ethical Fund

DR HURRIYAH EL ISLAMY

Executive Board Member, BPKH

MOHAMMAD HASIF MURAD

Investment Manager, Aberdeen Standard Islamic Investments

SHAHARIAH SHAHARUDIN

President, Saturna

Three main questions drove this panel discussion: Is the Islamic asset management industry growing? How is the industry future-proofing itself? Does the industry need to rebrand itself to become more palatable to non-Muslims?

Industry figures value the global Islamic finance industry at about US$3 trillion, with asset management accounting for only US$110 billion in assets. Compared to the sustainable responsible investment (SRI) sector which boasts US$30 trillion in assets, one wonders if the Shariah asset management segment has enough legs to stand on its own. The panelists, while being fully cognizant that the industry faces serious challenges, are however optimistic that there is a bright future for Muslim-friendly investment products and the sector will continue to grow with time as the global Muslim population expands in size and in wealth.

Stagnant growth?

Describing the industry as being in a "transition phase", Hakan Ozyon, a senior portfolio manager at Australia-based Global Ethical Fund, explained that the sector is currently at a plateau and this has pushed early average-performing players out of the market as it no longer makes commercial sense to stay in this niche sector; however, at the same time, asset managers with a stronger foundation, an understanding of Shariah investing and more effective strategies are entering the market.

"Islamic asset managers have gotten comfortable and are just replicating existing products without understanding what customers really want or need. The plateau is a combination of the ecosystem not being matured yet and the lack of enabling regulations," said Mohammad Hasif Muran, an investment manager with Aberdeen Standard Islamic Investments, who echoed Hakan's observations.

> ***"Islamic asset managers have gotten comfortable and are just replicating existing products without understanding what customers really want or need"***

Even in a market as sophisticated as Malaysia, home to one of the largest concentrations of Islamic funds in the world, the sector faces the challenge of a lack of product diversity as well as subpar Islamic financial literacy levels.

"We hardly see any real product innovation, diversity or creativity," lamented Dr Hurriyah El Islami, an executive board member with BPKH, Indonesia's Hajj fund management agency which has been mandated to manage its multibillion dollar fund in a Shariah compliant and ethical manner. "We have money to invest but we have yet to do so with any asset managers as we have not found any match yet — no match made in heaven yet, so to speak."

For an asset owner such as BPKH, there is also the issue of suitable high-yield projects which not only meet Shariah compliance, but are also ethical in nature. The power sector, while lucrative and initially on the radar of the Hajj fund, is however off the table as it has been embroiled in environmental and safety controversies in Indonesia.

"As much as we are looking for yield, we do not want to be an agent of destruction by investing in such projects," said Dr Hurriyah.

In less mature jurisdictions such as Indonesia, market practitioners find themselves grappling with additional hurdles including unfriendly regulatory frameworks and policies: for example, the Republic does not recognize the concept of trust or beneficial ownership, making establishing SPVs a costly affair. Unlike Malaysia, asset managers are not incentivized to pursue the

Islamic route, therefore leaving them at a cost disadvantage.

The Indonesian regulator is nonetheless exhibiting a willingness to accommodate the legal infrastructure to support the Islamic fund sector, according to Dr Hurriyah who noted that the regulator is keen to explore competitive SPV structures for corporates.

Preparing for the future

As far as future-proofing the Islamic asset management industry, the panel agreed that building a reliable pipeline of talent and integrating digital technology to improve product distribution and maximize cost efficiency would be imperative to the longevity of the sector.

Yields matter

No matter the brand — Islamic or SRI — asset management needs to be performance-driven. There is a tendency to over-rely on Shariah compliance to sell Islamic investment management products, where in reality, that alone is not sufficient. "It is not good enough to be Shariah compliant, you need to provide competitive returns; it is all about the yields," said Hakan.

And while it seems attractive yield generation is an active management play, Angeline Choo, S&P Dow Jones Indices's head of Southeast Asia and Greater China, argues that passive investment could also fulfill the hunt for yield.

"Islamic ETFs [exchange-traded funds] are still very nascent but there are many indices out there that are smarter and have built alpha into the benchmark," according to Choo, who highlighted the S&P High Yield Dividend Aristocrats Index as an example: the Islamic version has outperformed the conventional US benchmark, providing a yield of 9.8%.

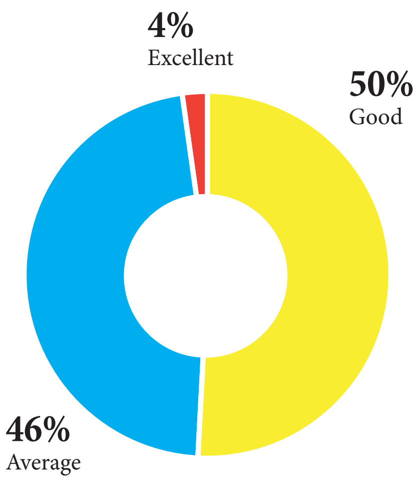
> ***"It is not good enough to be Shariah compliant, you need to provide competitive returns; it is all about the yields"***

Innovation within the passive investment space has allowed for a diversity of strategies to meet the different risk appetites of investors.

"We are seeing a lot more demand for factor investing in the Shariah space. There are low volatility and high dividend indices for the Pan-Arab market, and we can build them using the GIVI (global intrinsic value index) approach," Choo noted.

The option to build hybrid products is also available: instead of merely focusing on Sukuk or equity, investment managers could add a cash component in order to achieve desired risk levels.

In short, as concluded by moderator Rejina Rahim, the managing director and country head of Nomura Asset Management Malaysia, the three opening questions leading the discussion could be summarized as the following: the future for Islamic asset management is not as bleak as it seems; there is still a lot of room to grow; and moving onto the SRI bandwagon is not necessarily a bad thing.

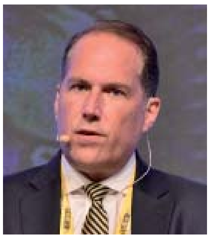


Gold — Opportunities for Financial Innovation

Recent Shariah rulings have provided opportunities for products based around gold. We take a detailed look at this interesting and innovative area.

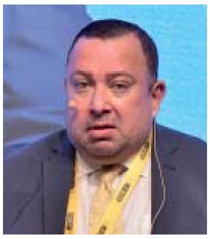
ANDREW NAYLOR

Director, Central Banks and Public Policy, World Gold Council



JASON TOUSSAINT

Managing Director, Emergent Technology Holdings



JOHN DURHAM

Manager – Depository, Gold Corporation, The Perth Mint

MOKHRAZINIM MOKHTAR

Head of ArRahnu Business (Gold Pawn Broking-i), Bank Rakyat Malaysia

Once a tricky investment asset class, the AAOIFI Shariah standard on gold has opened a world of new opportunities for Islamic financial institutions.

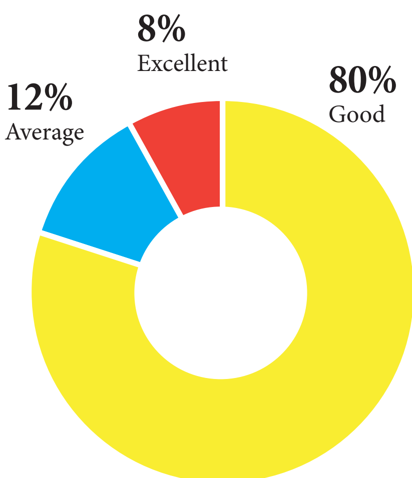
"We were traditionally focused on western markets such as Europe and North America, but since the Shariah standard, we began looking at other markets, starting off in the UAE," shared John Durham, the manager of depository, gold corporation at the Perth Mint. The bullion mint has also seen interest in Turkey and Morocco although language remains a key barrier.

Receiving substantial interest from the Muslim community especially from the UAE, Oman, Malaysia and Indonesia, the Perth Mint has since incorporated the Shariah standard into its online platform enabling it to offer physical gold at different levels to central banks, institutions and direct customers.

The significant reception for gold among Shariah investors is not surprising considering that no other commodities have such a unique demand profile which includes demand from central banks, the technology sector (photovoltaic appliances), the jewellery sector from China and India as well as investment demand for exchange-traded funds. Demand for the yellow metal is also counter-cyclical and therefore making it desirable from a sectoral and geographical perspective.

With Islamic financial institutions and investors facing the challenge of constructing a universe of Shariah compliant safe haven properties, gold, which is an integral component according to modern portfolio theory, is an ideal asset class. Jason Toussaint, the managing director of Emergent Technology Holdings, elaborated that gold provides the diversification every portfolio needs as it hedges against tail events as witnessed in the global financial crisis of 2008 as well as after the 9/11 attack on the World Trade Center. The metal is also suitable for long-term wealth preservation as it hedges against inflation risks, and is fairly insulated against currency devaluation.

While the prospects for gold is bright and the reception so far has been positive, industry players note that there are challenges to overcome. Calling for more innovation tailored for the SME industry, Dr Mokhrazinim Mokhtar, the head of ArRahnu Business at Bank Rakyat Malaysia, shared that Islamic financial institutions face both internal and external challenges in bringing gold products to market, including in identifying fraud and acquiring space and vaults needed to place gold. Physical gold financial instruments are also capital-intensive due to the insurance needed for each product.



IFN Fintech Huddle: Digital Invasion — Rise of the Machines

Will robo-advisors take over traditional asset managers? Is the market ready for digital-only products? How are big data and AI influencing the discipline? What other technology is driving change in the asset management sector?

JOHNNY MAYO

Asia General Manager, SuperCharger

MOHD IZZAT FADHLI AZMAN

Executive Director, Wahed Technologies

RATNA HIDAYATI

Data and Analytics Manager, Pegadaian

ROBIN LEE

CEO, HelloGold

The fundamentals

Three considerations underpin the formation of any digital investment management platforms: size of assets under management; the level of complexity of investments (number and types of instruments being offered); and types of users/clients (new or seasoned investors).

Robo-advisory seems to resonate stronger with the younger millennial generation, many of whom are often new to investing, observed Ratna Hidayati, the data and analytics manager of Indonesia's Pegadaian.

Is it a threat?

Despite the pressure that new fintech players are exerting, incumbents who are nimble and forward-thinking such as Vanguard and Charles Shwab — who are the largest robo-advisors in the world — demonstrate that agility and ability in executing effective digital strategies would insulate traditional asset managers from the threat posed by new digital entrants.

"As long as incumbents understand how fintech can be used to support existing business models, both new independent fintech players and incumbents can actually coexist," opined Mohd Izzat Fadhli Azman, the executive director of Wahed Technologies.

Robin Lee, CEO of HelloGold, however believes that innovation would likely be originated by start-ups rather than traditional investment managers.

"Incumbents are less likely to innovate because they are under different pressures: they are driven by short-term objectives so the capacity to plan and strategize for the long term is unlikely to happen as the focus is on stock prices. If you are a start-up, you have nowhere to go but up — you have no revenues to protect so you have to grow as best you can," Lee said.

Tipping point

The panelists are of the view that the rigid processes in big institutions make it challenging to deploy digital innovation effectively, hence it would be a while before the industry reaches a technological 'tipping point'.

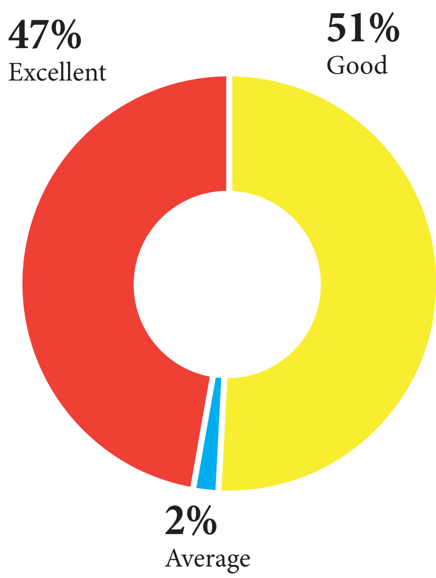
"A tech tipping point would be driven by regulators in that it depends on whether they would support in full force," explained Lee. "If start-ups are allowed to freely experiment, it is likely to happen quickly; however, if one is stuck within a sandbox, it would take a while before we see a tipping point."

It is agreed that while a more effective and flexible regulatory approach is needed to encourage full adoption of digital investment management services, start-ups would also need to self-regulate to ensure application of fintech is done in a more disciplined and effective manner.

Opportunities

There is no doubt that the current Southeast Asian robo-advisory model will shift from being mainly driven by statistical methods to being powered by machine learning and artificial intelligence; however, blockchain and tokenization are also highlighted as key growth areas for the sector.

"If regulators can see their way to enable financial inclusion and provide a safe way of tokenizing securities, then truly you will have the ability to expand the entire portfolio of products that is available to the mass affluent and developed markets, to focus on the emerging markets, where the challenge often revolves around affordability for most people," according to Lee.



IFN Fintech Huddle: Where's the money at?

What makes an ecosystem that promotes the successful integration of investors, accelerators and technology entrepreneurs?

VINEETA TAN

Managing Editor, IFN Fintech

CHOONG FUI YU

CEO and Co-Founder, Kaodim

JOHNNY MAYO

Asia General Manager, SuperCharger

TANG MUN WAI

Manager of Fintech, Growth Ecosystem Development, Malaysia Digital Economy Corporation

Three main pillars have been identified as key components of an effective Islamic start-up ecosystem: talent, operational infrastructure and capital.

Talent

The lack of fintech talent is not unique to Malaysia.

"It is not only about homegrown talent, but it is also about facilitating talent from abroad into Malaysia — everything from the ease of getting a visa, favorable tax treatments to buying a property or acquiring accommodation would come into play in foreign talents' decision in relocating to Malaysia," said Choong Fui Yu, CEO and co-founder of Kaodim.

If one were to drill deeper into the fintech talent conundrum, one will find the dearth of certified academic talent a particularly pressing issue.

"Everybody that is involved in the fintech industry likely got in through the hard way in that they learned about fintech themselves, either by attending conferences and reading or on-the-job, which creates a gap in skilled professionals who are familiar with fintech technicalities," opined Johnny Mayo, the Asia general manager for SuperCharger.

Infrastructure

Operational infrastructure would include a conducive regulatory environment, physical hubs and supporting accelerator and incubation programs.

This could perhaps be best exemplified through Orbit, Malaysia Digital Economy Corporation (MDEC)'s fintech hub, which was established to create an enabling environment for fintech start-ups to operate and scale up. This is done by connecting the regulators, fintech community and financial industry players.

"With the regulators, we regularly engage them and explore ways to involve them with the fintech community, to educate the regulators on fintech, with the hopes of fine-tuning regulations. With the community of start-ups, we have accelerators based in Orbit to provide the start-ups with the support they need; while with industry players, we look at how to engage banks and financial institutions and connect the dots with fintech start-ups," explained Tang Mun Wai, the manager of the fintech unit at MDEC.

> "*Although there are a lot more venture capital (VC) activities now, the VC market is not educated enough to reward original fintech players; rather it is usually only the localized start-ups which get funded*"

Capital

Access to capital is a pervasive challenge for fintech start-ups, particularly in Malaysia where the (Islamic) fintech sector is still nascent.

> *"If Malaysia could equally focus on Islamic fintech just as it has done with Islamic finance, then I think it'll create a huge opportunity as it is a market that will only grow and develop, [and] become more sophisticated as time goes by. But this cannot be done overnight — it takes a long time to put an ecosystem together"*

"What we are lacking is access to smart investors," observed Mayo. "Although there are a lot more venture capital (VC) activities now, the VC market is not educated enough to reward original fintech players; rather it is usually only the localized start-ups which get funded."

That being said, the panelists agreed that the local funding landscape is improving.

"We are certainly seeing more deals flow into Malaysia, particularly on the Islamic side, as the country is known for its tough or comprehensive regulations on Shariah compliance. Not only are we attracting more start-ups looking for Shariah compliance, but also more Shariah compliant VCs," said Tang.

Fintech 2.0

From being 'disruptive', the fintech and financial institutions are now practicing a more collaborative model, and while the Malaysian ecosystem is not as robust as Singapore's, it is getting there.

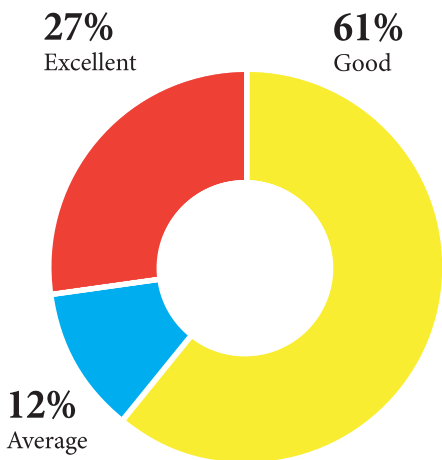
"Singapore has done a great job at making the country attractive to start-ups and VCs: it has a good legal system and stable government, among others, which are sought after by start-ups and VCs," said Choong. "Malaysia can aspire to be like Singapore: attract start-ups to set up here, and offer a market to scale-up and build a regional company."

Islamic fintech

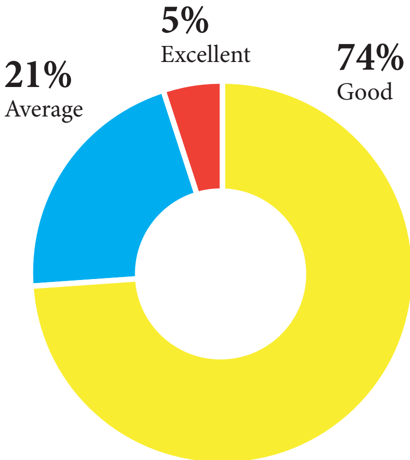
"When we have those appealing to the Islamic market, it is a slightly different proposition and we can't use our cookie cutter carbon copy approach that we use with other fintech companies as there's a different approach to how they go out to the market and how they test their products," said Mayo.

That being said, fintech for the Islamic finance market is a hugely underserved segment and represents fantastic potential.

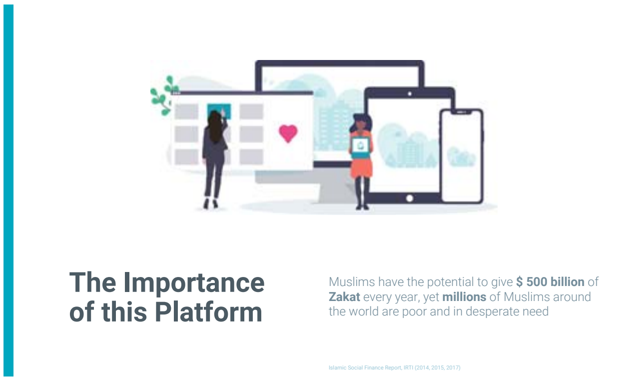
"If Malaysia could equally focus on Islamic fintech just as it has done with Islamic finance, then I think it'll create a huge opportunity as it is a market that will only grow and develop, [and] become more sophisticated as time goes by. But this cannot be done overnight — it takes a long time to put an ecosystem together. It is a generational endeavor but the groundwork laid by the regulators and MDEC has put Malaysia on the right path to success," opined Mayo.

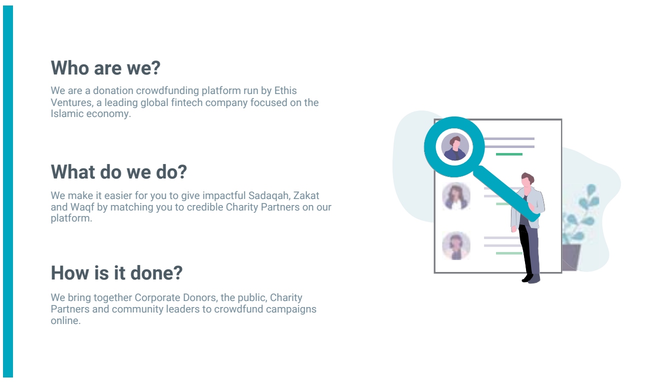


Pitch Playground



ARVIN SINGH — *Co-Founder and COO, hoolah*





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Umar Munshi
Founder
Ethis Group

Datuk Radzlif
Chairman
Ethis Group

Ronald Wijaya
Founder
Ethis Group

Marita Mansor
COO
Ethis Group

Global Sadaqah Core Team

Mohammed Alim
Product Manager

Mohammad Zahid
Project Manager

Advisors

David Vicary
UK-Malaysia Global Islamic Finance Leader

Dr Shamsiah A Karim
Islamic Social Finance Professional

Dato Fadzli Yusof
Malaysian Takaful pioneer

Rehan Noor Pathan
Head, International Coverage
Jadwa Investment

2018 Highlights

$65,220
Raised via online crowd

$185,000
Corporate Sponsorships

$1.5 million
Supported Programmes

166
Countries Reached

1204
Unique Donors

2525
Donations Received

WIFA 2018
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Masjid Aisha: Building A House In Jannah

$10,214 raised of $13,000 with 17 days to go

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FUNDING COMPLETE

Support A Single Mother: Rohashinah's Struggle To Self Independence

$1,471 raised of $1,468 with 0 days to go

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FUNDING COMPLETE

YANAS via Alliance Islamic
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Sadaqah Tax Exempting Zakat Eligible

$1,035 raised of $1,000 with 22 days to go

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Yayasan Noor al-Syakur is a foundation founded by the Tengku Temenggong and Tengku Puan Temenggong of Kelantan in 2014 which aims to be a bridge to aid and fill the loopholes for aid, assist and a provider for the people of Kelantan. **YANAS is Alliance Islamic Bank's charity of choice to support for their corporate donations.** Find out more about Alliance Islamic Bank here

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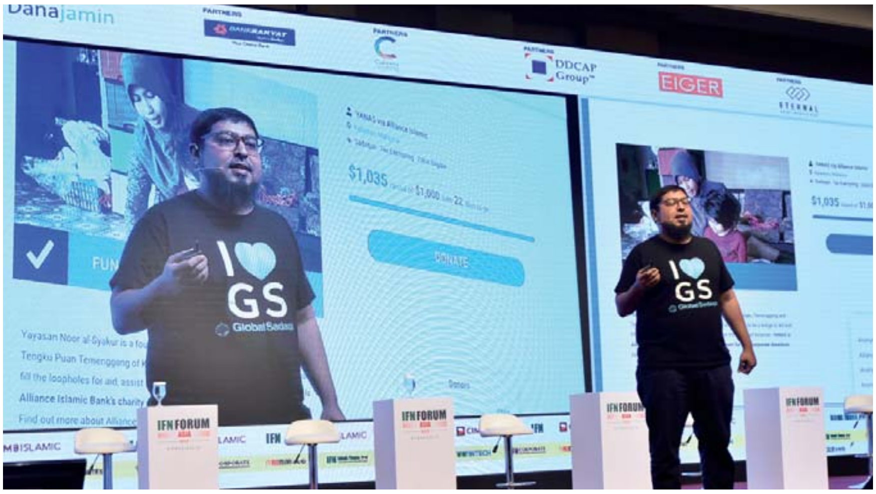
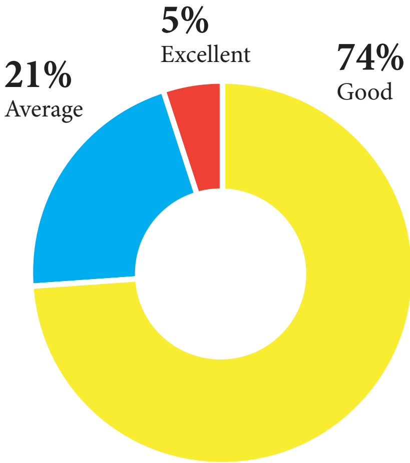
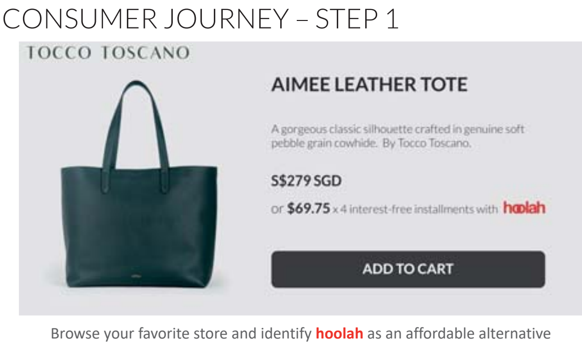
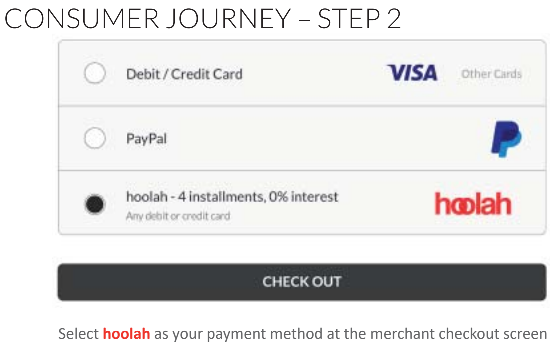
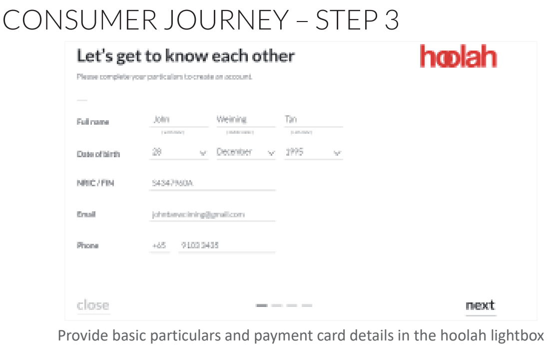


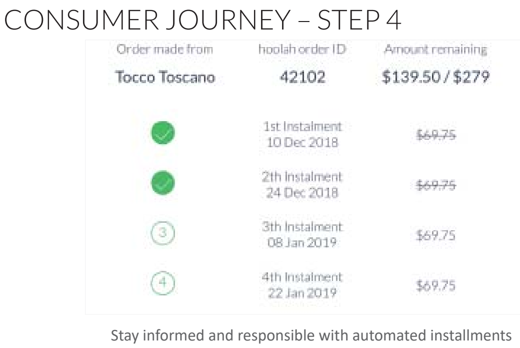


UMAR MUNSHI — *Founder, Ethis Group*









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Jasmine, 23

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Pascal, 30

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PROOF POINTS – NEW CONSUMERS

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Environmental, Socially Responsible Investing and Islamic Investment: Opportunities for Development and Growth

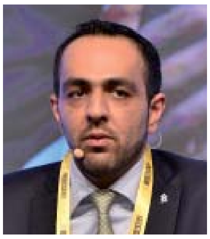
We examine responsible, environmental and green finance in Asia and ask how ethical and Islamic finance can potentially become closer interlinked. We also discuss how Southeast Asia can grow its existing ESG niche among asset managers and owners and what role Islamic and ESG asset management can play toward achieving sustainable development goals. Do green bonds and Sukuk offer viable long-term investments and how can the industry address the relative scarcity of credible climate-related and low-carbon investment opportunities? When will Asia see the launch of a socially conscious ETF?

DAUD VICARY ABDULLAH

Managing Director, DVA Consulting

ANGELIA CHIN SHARPE

CEO/Country Head, Malaysia and Brunei, BNP Paribas Asset Management



BILAL PARVAIZ

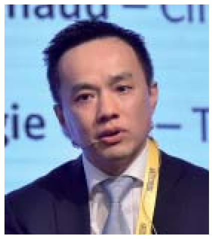
Director, Islamic Business and Product Management, Standard Chartered Saadiq Malaysia

CEDRIC RIMAUD

ASEAN Program Manager, Climate Bonds Initiative

MARGIE ONG

CEO, Thoughts in Gear



RICK CHAU

Head of Asia Pacific, STOXX

The multiplication of extreme, high-impact weather events such as the recent widespread flash floods in Iran, which left more than 77 dead and 791 injured, is a painful reminder that climate change is real.

"There is much to do and not a moment to lose," says Daud Vicary Abdullah, the managing director of DVA Consulting, who believes that people must look at purpose before profit.

To achieve that, a deep change in mindset is needed but should it be top down or bottom up?

"There is a big push from the top following the Paris Agreement," shares Cedric Rimaud, the ASEAN program manager at Climate Bonds Initiative, "as a result, governments are seen as pivotal issuers of green bonds and Sukuk, which are offering tangible advantages," he says.

For instance, Indonesia's green Sukuk helped the Republic attract a larger pool of investors, and hence tighten the price of its Shariah securities. This was only possible because it was a green Sukuk, Rimaud says.

On the back of the COP21, a lot of momentum has been coming from the top, agrees Angelia Chin Sharpe, CEO and country head Malaysia and Brunei at BNP Paribas Asset Management. "However, the dynamic is broad and is actually coming from everywhere as impacts of climate change are felt by everyone," Sharpe states.

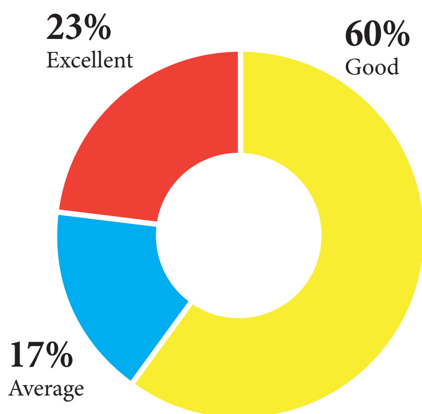
An opinion shared by Rick Chau, the head of Asia Pacific at STOXX, who believes that people are more conscious, including the retail market. "People are asking their pension funds to do better," he says.

"What is important is to stop damaging the planet and then have a positive action. VBI is helping us to achieve that," says Bilal Parvaiz, the director of Islamic business and product management at Standard Chartered Saadiq Malaysia.

"But, how do we move beyond compliance? How do we make it a business advantage," asks Margie Ong, CEO of Thoughts in Gear.

"The answer may be in the fact that we start seeing bankruptcy due to climate change and that climate change is starting to impact the portfolio of investors," affirms Rimaud.

This is precisely why BNP Paribas Asset Management has fully embraced environmental, social and governance principles. "In order to mitigate this risk," as Sharpe puts it.

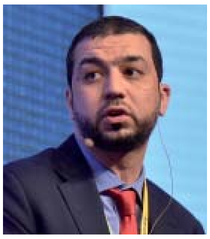


Real Estate Investment and REITs in Southeast Asia: Opportunities for Islamic Investors

Through an expert panel we discuss the evolution of the real estate investment and REIT market in Southeast Asia. How has the REIT market performed, what can we expect in the coming year and what is current investor sentiment and appetite? We discuss the role of regulation, asset quality and diversification. We also analyze direct real estate investment and assess the opportunities on offer for Shariah compliant investors.

NICHOLAS EDMONDES

Partner, Trowers & Hamlins

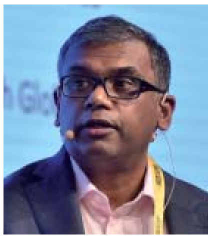


ABDULLAH DOULEH

Vice-President and Head of Real Estate, Jadwa Investment

JANA SEHNALOVA

CEO, La Française Forum Securities



JEYABALAN PARASINGAM

Partner, Azimuth Global Partners

ZULHILMY KAMARUDDIN

Director, Investment Banking, RHB Banking Group

Bricks and mortar is a traditional asset class in Islamic finance and with a growing number of countries accommodating REITs, the sector has recently gained momentum.

As of today, out of about 600 companies offering REITs, 150 have Shariah compliant vehicles in their portfolio.

Counterintuitively, about 50% of the Shariah compliant REIT universe is in the US. With the exception of the UK, where the Islamic REIT market is relatively vibrant, only a few are in Europe. In Asia, the key markets are Malaysia, Indonesia, Singapore and Australia. There are also a handful of Islamic REITs in Japan.

"In the end, it is possible to build a very diverse portfolio," shares Jana Sehnalova, CEO of La Française Forum Securities.

Malaysia and Singapore are two of the most mature Islamic REIT markets in the world, albeit they are quite different. In total, 34 REITs listed in Singapore have 100% of their portfolio composed of non-Singaporean assets, while there are only two REITs in Malaysia with overseas exposure, details Jeyabalan Parasingam, a partner at Azimuth Global Partners.

New countries and regions, such as the GCC, are also emerging. Since Saudi Arabia's Capital Market Authority accommodated REITs in 2016 as part of the Saudi Vision 2030 expected to stimulate the non-oil economy, 17 REITs, all Shariah compliant, have been listed on Tadawul.

The regulations have been carved to introduce transparency in a market that had long

been dominated by closed-ended, hence less transparent, real estate funds, and the regulator is keen to regularly update its set of rules to meet the needs.

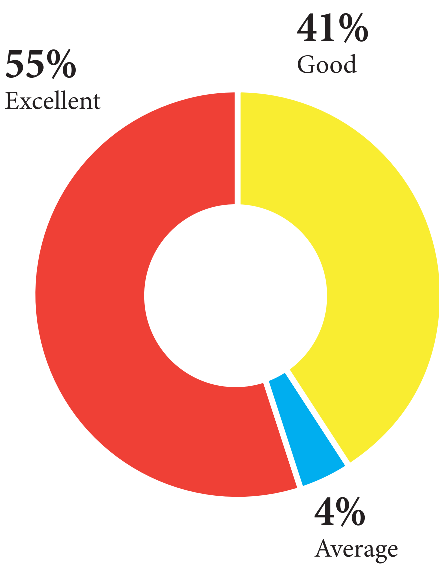
As an example, the REIT market could be open to foreign investors in the future in a bid to increase capital inflow. "There are discussions on this topic," says Abdullah Douleh, the vice-president and head of real estate at Jadwa Investment.

Although there is an increasing number of opportunities to tap the Kingdom — tourism for instance is forecasted to be a key segment — good yields are difficult to come by partly due to low asset quality. In addition, REIT managers prefer fixed long lease to ensure a quarterly return.

However, a way for REITs to deliver yields is to invest in specialized assets, which are typically delivering greater returns than retail assets, according to Zulhilmy Kamaruddin, the director of investment banking at RHB Banking Group.

Strong returns are also provided by innovative products, says Sehnalova.

"Shariah compliant real estate securities delivered around [an] 18% return over the last 12 months. This is significantly higher than global equities or global fixed income. On top of that, in any single asset class, the Shariah proposition outperformed the conventional asset class," she details.



Innovation in Islamic Investment Management: Waqf

We discuss the growing importance of revitalizing Waqf through the development and use of innovative capital market instruments. We examine how, through innovative products and services, we can further develop Waqf assets in order to facilitate growth in the Islamic investment and asset management industry, thereby promoting financial inclusion and social development.

AIDA OTHMAN

Director, ZICO Shariah Advisory Services

AIZA AZREEN AHMAD

Director, Strategic Development, Boost eWallet

MOHD NAZRI CHIK

Group Chief Shariah Officer, Bank Islam

DR RIDZWAN BAKAR

Professional Lecturer, Multimedia Universiti, Treasurer, International Waqf Action Council (iWaqf)

Waqf remains a relatively untapped asset class. Yet, the segment has huge potential, says Dr Ridzwan Bakar, who draws a parallel with Zakat, which continued to increase even after the 2008 financial crisis.

So why is the Waqf asset class underdeveloped?

The issue is threefold. First, there is a lack of awareness about Waqf, which, in a nutshell, is about giving money for a purpose. Second, in people's minds, Waqf is not as appealing as other asset classes. Third, while many products have been developed, including cash Waqf, Sukuk Waqf and corporate Waqf, to name a few, the process to donate remains relatively complicated.

"We need to challenge the status quo on the process side, on how to channel funds, not that much in terms of products. We need to make it easy for people to contribute basically," shares Aiza Azreen Ahmad, the director of strategic development at Boost eWallet, which has created an eWallet allowing users to give for Waqf.

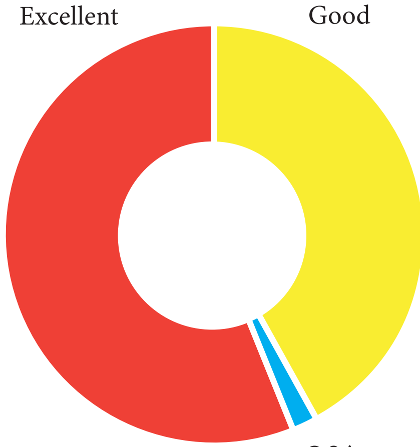
> ***"Regulators are still relatively reluctant to accept the idea of digitization and using an eWallet to channel Waqf funds"***

Since May 2018, the company has collected RM240,000 (US$57,992) and many Waqf bodies have shown great interest in this initiative. "People are interested in their eWallet doing good things," affirms Aiza, who adds: "However, regulators are still relatively reluctant to accept the idea of digitization and using an eWallet to channel Waqf funds."

However, things are moving. As an example, Bank Islam recently launched a new platform called MyWaqf, allowing donors to select their projects and contribute to it. "All projects are part of the education, community empowerment, health and investment sectors," says Mohd Nazri Chik, the group chief Shariah officer at Bank Islam.

56%
Excellent

42%
Good



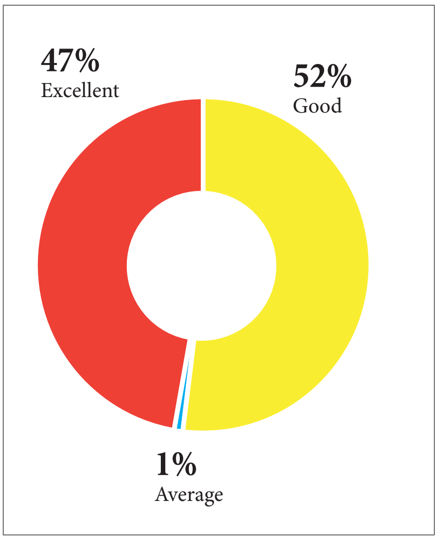
2%
Average

SPEAKERS' LIST DAY 2

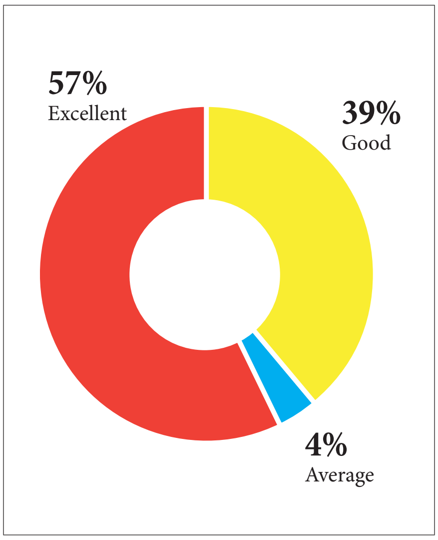
Name	Job Title	Company Name
Abdullah Douleh	Vice-President & Head Of Real Estate	Jadwa Investment
Aida Othman	Director	Zico Shariah Advisory Services
Aiza Azreen Ahmad	Director Strategic Development	Boost Ewallet
Andrew Naylor	Director, Central Banks & Public Policy	World Gold Council
Angelia Chin Sharpe	Ceo/Country Head, Malaysia & Brunei	BNP Paribas Asset Management
Arvin Singh	Co-Founder and COO	Hoolah
Bilal Parvaiz	Director	Standard Chartered Saadiq
Cedric Rimaud	Asean Program Manager	Climate Bonds Initiative
Choong Fui Yu	CEO & Co-Founder	Kaodim
Daud Vicary Abdullah	Managing Director	DVA Consulting
Hakan Ozyon	Senior Portfolio Manager	Global Ethical Fund
Dr Hurriyah El Islamy	Executive Board Member	Badan Pengelola Keuangan Haji (BPKH)
Jana Sehnalova	CEO	La Française Forum Securities
Jason Toussaint	Managing Director	Emergent Technologies
Jeyabalan Parasingam	Partner	Azimuth Global Partners
John Durham	Manager — Depository, Gold Corporation	The Perth Mint
Johnny Mayo	Asia General Manager	Supercharger
Margie Ong	CEO	Thoughts In Gear
Mohammad Hasif Murad	Investment Manager	Aberdeen Standard Islamic Investments
Mohd Izzat Fadhli Azman	Executive Director	Wahed Technologies
Mohd Nazri Chik	Group Chief Shariah Officer	Bank Islam
Mohd Suhaimi Abdul Hamid	CEO	Standard Chartered Saadiq Malaysia
Mokhrazinim Mokhtar	Head of Arrahnu Business	Bank Rakyat Malaysia
Nicholas Edmondes	Partner	Trowers & Hamlins
Ratna Hidayati	Data & Analytics Manager	Pegadaian (Pesero)
Rejina Rahim	Managing Director & Country Head	Nomura Asset Management Malaysia
Rick Chau	Head of Asia Pacific	Stoxx Limited
Ridzwan Bakar	Honorable Treasurer	Kasih Waqf Hospital
Robin Lee	CEO	Hellogold
Shahariah Shaharudin	President	Saturna
Tang Mun Wai	Manager Of Fintech, Growth Ecosystem Development	Malaysia Digital Economy Corporation
Umar Munshi	Founder	Ethis Group
Zainal Izlan Zainal Abidin	Deputy Chief Executive	Securities Commission Malaysia
Zulhilmy Kamaruddin	Director, Investment Banking	RHB Banking Group

OVERALL EVALUATION DAY 2

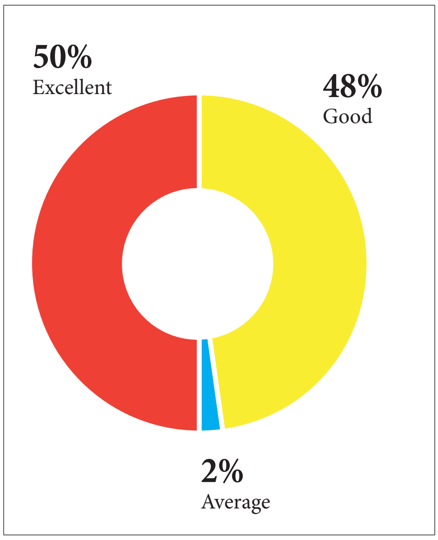
Pre-event Contact



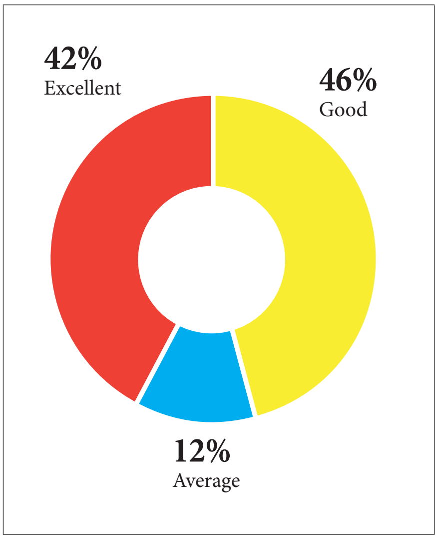
Venue & Facilities



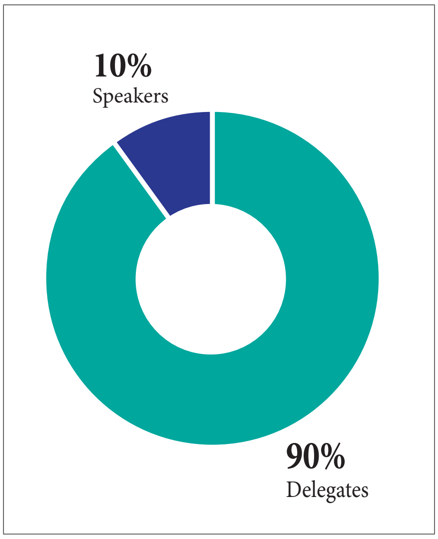
Overall Evaluation of the Event



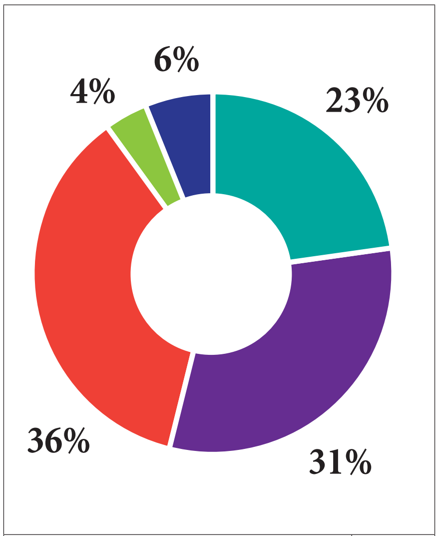
Overall Evaluation of the Speakers



Delegate Breakdown

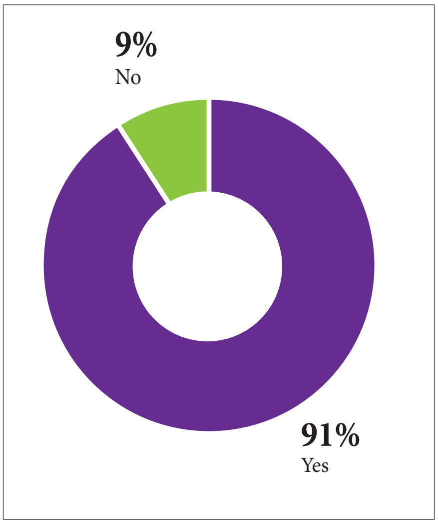


Delegate Job Title Breakdown

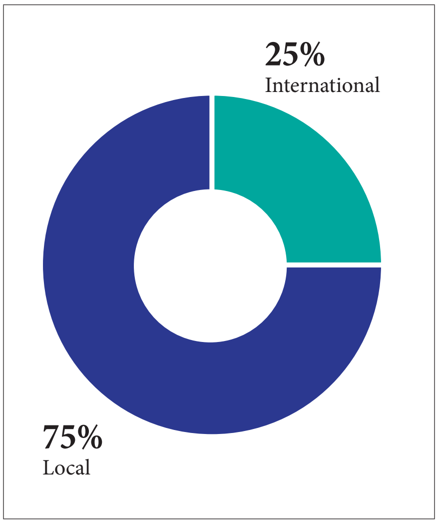


Delegate Job Title	No
Board Level Management	151
Senior Management	132
Management	98
Executive	25
Others	19
Total	**425**

Delegates Who Would Like to Attend IFN Asia Forum 2020



Delegate Breakdown (International & Local)



COMPANIES' LIST

90 North Real Estate Partners
AAM Commodities
Aberdeen Standard Islamic Investments
Ableace Raakin
Absolute Financial Solutions
Ace Holdings
ACE Investment Bank
Adnan Sundra & Low
Affin Hwang Capital
Affin Islamic Bank
AFSHA Shariah Advisory
Agrobank
Ahmad Zaki Resources
Aia Bhd
AIFINCO
AIIMAN Asset Management
Airestec
Al Kauthar Wealth Advisory
Al Rajhi Bank
Aliph Global Capital
Alliance Investment Bank
Alliance Islamic Bank
Allianz Life Insurans Malaysia
Amanah Wholesale Banking
Ambank
Ambank Islamic
Amfunds Management
Aminvestment Bank
Amislamic Funds Management
Amundi Asset Management
Amundi Islamic Malaysia
Anad & Noraini
Appsaya Technologies
Asean Legal Alliance
Asian Venture Philanthropy Network (Avpn)
Asosugar Empire
Avatrade
Azimuth Global Partners
Azmi & Associates
Badan Pengelola Keuangan Haji (BPKH)
Bangi Resort Hotel
Bank Islam Malaysia
Bank Mizuho Indonesia
Bank Muamalat
Bank Negara Malaysia
Bank Pembangunan Malaysia
Bank Rakyat Malaysia
Bank Simpanan Nasional
BBS Trust International
Belleview Group
Berjaya Corporation
Bespoke Globiz
Bill Morrisons International
Billplz
BIMB Holdings
BIMB Investment Management
BIMB Securities
Bioeconomy Corporation
BNP Paribas
BNP Paribas Asset Management
BNP Paribas Malaysia
Bond Pricing Agency
Boost Ewallet
British High Commission
Bukit Bintang Foundation
Bursa Malaysia
Cagamas
Capital Markets Malaysia
Carrera Learning
CCM Consulting
Cenergi Sea
CFO Outsource Asia
Chin& Co
Christopher Joseph & Associates
CIMB Investment Bank
CIMB (Securities Services)
CIMB Bank
CIMB Group
CIMB Islamic
CIMB Principal Islamic Asset Management
Citibank
Climate Bonds Initiative
CMC Group
CMS (Cameron Mckenna Nabarro Olswang)
Comgest Far East
Danajamin Nasional
DDCAP
Deloitte
Deutsche Bank
Deutsche Trustees Malaysia
Diethelm
Digital Finance
Discovery Trad & Tech Services
Dubai Financial Services Authority
DVA Consulting
Eastspring Al-Wara Investments
Eastspring Investments
EC - Council
Eiger Trading
Emergent Technologies
Employees Provident Fund
Ethis Crowd
Ethis Group
ETIQA Family Takaful
ETIQA Insurance & Takaful
FAB Siraj
Fariz Halim & Co
Fidelity
Finwealth Management
Fitch Ratings
Flipsio Resources
Fortress Capital Asset Management
GAS Malaysia
Genexus Advisory
Genting Group
Global Development Initiative Association
Global Ethical Fund
Global Rate
Goinsurans
Google
Great Eastern Life Assurance
Green World Money Master
Guidance Investments
GWC Management
Hajj Fund Management Agency (Bpkh)
Hejaz Financial Services
Hellogold
Help Institute
Herbert Smith Freehills
Hifdzi Salmiah Kee Hanisah
Hong Leong Investment Bank
Hoolah
HSBC Amanah
IAP Integrated
Idealratings
IJM Corporation
INCEIF
Institut Kefahaman Islam Malaysia
International Business Capital
International Islamic Liquidity Management Corporation (IILM)
International Islamic University Malaysia (IIUM)
Inter-Pacific Securities
INTI International College
Investment Account Platform
IQI Global
Islamic Finance Navigator
Islamic Finance *news*
Islamic Financial Services Board (IFSB)
ISRA
Istesmar Asia
I-Vcap Management
Izwan & Partners
Jadwa Investment
Jomwaqaf.Com
Joseph & Co Accounting &Tax
JS Integrated Planning
Jtlim Corp
Kadir Andri & Partners
Kaodim
Kapital Boost
Kasih Waqf Hospital
Kenanga Investment Bank
KFH Malaysia
Khazanah Nasional
Konsertium Sinergi Ulung
Koperasi Angkatan Tentera
KPMG Malaysia
KSK Group
Kuwait Finance House (KFH)
La Française Forum Securities

Lee, Perara & Tan
Lembaga Hasil Dalam Negeri
Lynx Solutions
Macquarie Bank
Malaysia Competition Commission
Malaysia Digital Economy Corporation
Malaysia Herbal Shop
Malaysia Steel Works
Malaysia Technology Development Corporation
Malaysia's National Standards Technical Committee
Malaysian Bioeconomy Development
Malaysian Industrial Development Finance
Malaysian Investment Banking Assco
Malaysian Technology Development Corporation (MTDC)
Management & Science University
Manavalan & Associates
Manulife
Mara Incorporated
Maslahah Academy
Masryef Management House
Masteel
Maxmoney
Maybank
Maybank Investment Bank
Maybank Islamic
MBSB Bank
Mecom Enterprise
Meinhardt Group
Mercu Berharga Malaysia
Midas Capital Alliance
MIDF Amanah Asset Management
Mizuho Bank
MJR Rizqah Resources
MNRB Holdings
Moody's Investors Service
Muamalat Invest
MUFG Bank (Malaysia)
Multimedia University
Nafas
Naqiz & Partners
Neurogine
Nidzma
Nomura Asset Management Malaysia
Nomura Securities Malaysia
Northern Trust
N-Strategy Consulting Services
OCBC Bank
OCBC Malaysia
OFFA
Oil Gas Media And Branding Services
Online Loans Pilipinas Finance
Osman Consulting
Pacific Alliance Capital
Pan Malaysian Pools
Pegadaian
Perbadanan Nasional
Perfios
Perkeso
Permodalan Nasional
Persama - Remisiers As Of Malaysia
Petronas
Petronas Refinery & Petrochem
Philip Mutual Berhad
Phillip Research
Plus Malaysia
PMB Investment
Prasarana Malaysia
Prestar Resources
Pricewaterhousecoopers (PwC)
Prima Multimedia
Principal Islamic Asset Management
Prokhas
Prudential Assurance
Public Bank
Public Islamic Bank
Public Mutual
Putra Business School
QX Trust
Rahmat Lim & Partners
RAM Rating Services
Ramcel Media
Red Ants
RHB Asset Management
RHB Bank
RHB Investment Bank
RHB Islamic Asset Management
RHB Islamic Bank
RHB Singapore
RHB Trustees
Robin Capital
S&P Dow Jones Indices
S2M Morocco
SAL Group
Sapura Energy
Saturna
SBI Ventures
SCG Capital Group
Securities Commission & Wahed Invest
Securities Commission Malaysia
Sgomiv Technology
Shangren Group
Shape Knowledge Services
Sharedworth
Shook Lin & Bok
Signature Trust
Silver Ridge
Sime Darby Plantations
Simply Ethical
Siti Nor & Partners
Sititrust Labuan
SKVE Holdings
SMEC Australia
Social Security Organization
Standard Chartered Saadiq
Standard Financial Adviser
Stashaway
State Insurance Brokers
State Street Bank
Stoxx
Strategic Swiss Partners
Supercharger
Syntronic
Tabung Amanah Islam Brunei
Talent League
Taylor's University
Telekom Malaysia
Tenaga Nasional (TNB)
Terracor Commerce
The Business Year
The Perth Mint
Thoughts In Gear
TM One
Touch `N Go
Trowers & Hamlins
TST Consultants
Twin Pavilion Properties
UBS AG
UEM Group
UGL
UITM
Umison Construction
UMW Group
UNIKL
United Overseas Bank
Universal Trustee Malaysia
Universiti Kuala Lumpur Business School
Universiti Malaysia Pahang
Universiti Pendidikan Sutan Idris
Universiti Sultan Azlan Shah
Universiti Teknologi Mara
University Malaya
University of Malaya
University Sultan Zainalabidin
UOB
UOB Islamic Asset Management
Valuecap
Venda Consulting
VG Group
W Pay International
Wahed Technologies
Wellington
WIEF Foundation
Winapp
Women Opinion Leaders
World Gold Council
World Vest Base
Wpay International
ZICO Shariah Advisory
Zul Rafique & Partners