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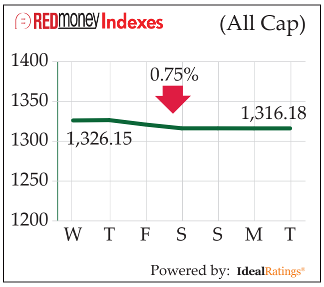


COVER STORY

29th January 2020 (*Volume 17 Issue 04)*

Preparing for the LIBOR transition (Part Two): Going it alone?

Last week we discussed the complexities involved in the global transition away from LIBOR, including the specific challenges faced by Islamic banks in finding an appropriate alternative. While the most likely solution seems to be a fixed term rate equivalent, there is of course another option — the creation of a unique Islamic interbank rate. Former attempts have tried and failed but, asks LAUREN MCAUGHTRY, could now be the time to revisit the possibility?

Setting the bar

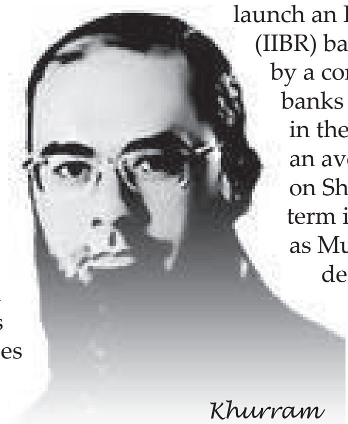
There is not long to go before LIBOR is phased out entirely, and by that point all banks will have to have something to replace it with. For banks that don't want to charge interest or use a rate calculated in arrears, a term rate is the obvious choice — but it is neither ideal nor entirely Islamic. So what's the answer?

"Currently, the majority of Islamic banks are using traditional market benchmarks such as LIBOR," explains Khurram Hilal, the head of group Islamic products at Standard Chartered Bank, speaking to IFN. "While there is a clear preference in Shariah for a dedicated Islamic benchmark, the use of traditional benchmarks has been approved by scholars with defined conditions."

This is indeed the case, and standard-setters including AAOIFI have provided clear guidance as such. However, just because something is convenient does not necessarily make it the best solution — and there is a growing feeling that there could and perhaps should be a better way.

Kuwait Finance House issued a Fatwa, republished in IFN in August 2019 in collaboration with the International Shari'ah Research Academy for Islamic Finance, confirming that "it is inappropriate for an Islamic bank to use LIBOR in determining prices or fees either at home or abroad," and recommending that users find an alternative to LIBOR, based upon Islamic principles, in determining the prices of commodities and services that Islamic companies deal with in international markets.

"The use of LIBOR in determining the profit prior to making the contract is allowed until an alternative is found, and its inclusion in the contract does not invalidate the contract. This is because the use of LIBOR is internationally recognized and using it therefore will prevent disputes. The use of LIBOR is thus lawful only because a viable alternative is not available," said the Fatwa.



Khurram

Short-term fix

And herein lies the crux of the matter. So far, Islamic banks have used LIBOR because everyone else uses LIBOR, and because there has been no effective alternative. Now though, everything is changing — and perhaps it is time for Islamic banks to seek that "viable alternative" that has been elusive for so long.

It has been attempted before. Back in 2011 Thomson Reuters attempted to launch an Islamic Interbank Rate (IIBR) based on rates contributed by a consortium of 18 Islamic banks and windows, primarily in the Middle East, to calculate an average expected return on Shariah compliant, short-term interbank funding such as Murabahah and Wakalah deals. The initiative had strong support, with backers including the IsDB, AAOIFI,

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DEALS

Niger State gets nod for NGN20 billion (US$54.92 million) Sukuk program

GFH Financial Group prints Sukuk worth US$300 million

Central Bank of Kuwait sells KWD240 million (US$788.57 million)-worth of three-month conventional and Tawarruq papers

Central Bank of Iraq's 30-day Islamic certificates undersubscribed

Indonesia to auction state Shariah securities

Iran plans to sell IRR47 trillion (US$1.11 billion)-worth of Sukuk Manfa'at

Pakistan's energy ministry receives greenlight to raise PKR200 billion (US$1.29 billion) through Sukuk

Qatar Islamic Bank upsizes debut Formosa Sukuk to US$800 million following overwhelming demand

Saudi Arabia mulls Sukuk issuance as part of US$4 billion borrowing plans

Bank Negara Malaysia issues Islamic money market instruments

Central Bank of Gambia's Sukuk Salam papers receive mixed demand

NEWS

Central Bank of Tunisia launches regulatory sandbox

Suez Canal Bank inks strategic partnership with **MoneyGram International**

National Bank of Kenya battles **Kencom Sacco Society** over estate worth KES3.9 billion (US$38.25 million)

Bank Negara Malaysia cuts overnight policy rate to 2.75%

NRB Commercial Bank launches Islamic window

Grab, **Razer** and **AirAsia** explore digital banking licenses

Al-Arafah Islami Bank to form subsidiary company for its mobile financial services business

Amana Bank expands self-banking center network to 19 with third unit in Dehiwala

All-Party Parliamentary Group on Islamic Finance to hold inaugural meeting on the 4th February; will elect office bearers and design brief plan for 2020

European Islamic finance head of **Allen & Overy** passes away

Turkey's Islamic banking assets to double over the next decade, says **Moody's Investors Service**

AAOIFI and **Participation Banks Association of Turkey** collaborate in promoting Islamic finance in Turkey and globally

RESULTS

Boubyan Bank posts net profit growth of 12% in 2019

KLCCP Stapled Group posts growth of 1.2% year-on-year, increases revenue to RM1.4 billion (US$343.63 million)

ASSET MANAGEMENT

BNP Paribas Asset Management launches BNP Paribas Greater China Equity Syariah USD fund

SEDCO Capital acquires **Convergence** building

Al-Maather REIT Fund acquires **Al Nokhba Educational Schools** for SAR31 million (US$7.61 million)

Al Rayan Qatar ETF posts net asset value of QAR522.5 million (US$142.9 million) as at end of December 2019 to pay dividends in second quarter

ENBD REIT in final stages of discussions with authorities and stakeholders for restructuring

TAKAFUL

Arqaam Capital maintains 'buy' recommendation on **Saudi Reinsurance Company**

Capital Market Authority to impose fine on **SABB Takaful Company** for violating rules on offer of securities and continuing obligations

RATINGS

VIS Credit Rating Company finalizes 'AA' rating on **Meezan Bank**'s Tier 2 Sukuk issuance

MARC affirms 'AIS' rating on **Bank Muamalat**'s Islamic senior note program

RAM reaffirms ratings on two tranches of **West Coast Expressway**'s Sukuk program

RAM reaffirms 'AA2/Stable' rating on **Konsortium ProHAWK**'s Islamic medium-term note program

RAM reaffirms **Maybank Islamic**'s 'AAA' financial institution rating

MOVES

Moody's Investors Service names Brian Cahill as global head of ESG

Preparing for the LIBOR transition (Part Two): Going it alone?

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the Association of Islamic Banking and Financial Institutions Malaysia, the Bahrain Association of Banks, the Hawkamah Institute for Corporate Governance and the Statistical, Economic and Social Research and Training Centre for Islamic Countries. Managed by an illustrious Islamic Benchmark Committee comprising the great and the good of the Shariah scholastic world, the rate hoped to "delink" the Islamic financial market from conventional benchmarks. However, a lack of confidence in the rate coupled with poor timing, challenging global conditions and the lack of a broader take-up by Islamic financial institutions led to the project sinking with very little trace — and a decade on, its use has been almost entirely forgotten.

"Now might be a better time for it — certainly, it would be a good time for Islamic institutions, because then they could just focus on a specific Islamic replacement rather than having to get involved in the confusion of term rate alternatives"

"It may have just been bad timing," suggested Davide Barzilai, a partner at Norton Rose Fulbright. "It was launched just after the last major financial crisis — LIBOR was under heavy scrutiny, regulations weren't as developed and there was a lot of uncertainty as to what the regulators were going to do. Now might be a better time for it — certainly, it would be a good time for Islamic institutions, because then they could just focus on a specific Islamic replacement rather than having to get involved in the confusion of term rate alternatives."

Compliance concerns

One issue with the previous IIBR was its reliance on money market rates — with critics arguing that without a foundation in the real economy, any interbank rate would still be in theory Haram even if it was not based on interest payments. An alternative could be a rate that was based on the return on capital from real business activities such as trading, leasing, or provision of services. But even here, the concern would be the rigor of the Shariah compliance.

"With the IIBR, I think the methodology was where our concerns lay, and that is why we did not take part," explained Ijlal Alvi, CEO of the Bahrain-based International Islamic Financial Market (IIFM), to IFN. "I think now the focus would need to be on developing a truly robust methodology, linking it to the real economy, rather than just basing it on a Murabahah rate."

The main compliance concern is around basing the calculation of the cost of funds on real transactions. Are there enough real transactions in the Islamic market that an administrator could build a rate from? Or is there not enough liquidity in the market, because of the more conservative way in which Islamic banks are structured and funded?

"The big challenge is to create an Islamic cost of funds founded in the real economy," agreed Barzilai.

Barzilai

Islamic alternatives

This has (to the knowledge of IFN) never been done before — although there have been some valiant attempts. The most successful Islamic interbank rate (and there are several) is without doubt the Malaysian Islamic Interbank Rate, published by Bank Negara Malaysia (BNM) and based on three-month Murabahah. Market players have access to real time data and the local Islamic interbank market is (according to the central bank) equally as active in terms of volume compared to the conventional. In Indonesia too, the central bank is believed to be working on the creation of a real sector return index in order to provide a reference rate for product-pricing in Islamic finance.

However, Malaysia and Indonesia are relatively unique in terms of the sophistication of their Islamic markets. In many jurisdictions, where the Shariah side is relatively less developed, a conventional measure can be the only option.

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A truly international Islamic interbank rate therefore, based on US dollars and contributed to by a widespread of Islamic banks across jurisdictions, could be a game-changer. And given that these banks will have to start making changes anyway, why not play the long game and start moving towards the ideal vision?

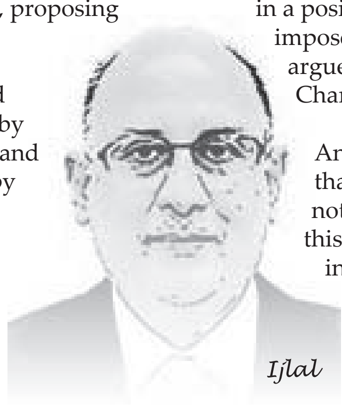
> **"IIFM is already looking into the possibility of a roundtable discussion on the subject of the global benchmark rate reforms ie the replacement of LIBOR, and is also planning a consultative paper on the topic"**

Positive progress

Well in fact, it is — led by the Central Bank of Bahrain's Waqf Fund, which last year held a roundtable on just this topic.

"The world of Islamic finance should establish its own profit rate benchmark and move away from using conventional interest rate benchmarks, despite serious challenges in design, implementation and monitoring of the new benchmark," concluded the discussion, proposing a three-pronged strategy whereby a benchmark formula would be created by the market, regulated by standard-setters AAOIFI and IIFM, and implemented by national regulators.

"An Islamic benchmark is something to which very serious consideration should be given," shared Ijlal.


Ijlal

"It is not something that can be done by just one institution, it would have to be a collective project, but now I see a strong desire by key stakeholders to make it work."

IIFM is already looking into the possibility of a roundtable discussion on the subject of the global benchmark rate reforms ie the replacement of LIBOR, and is also planning a consultative paper on the topic in order to create awareness and action plan with regard to the necessary changes in documentation, legacy contract upgrades, and legal and accounting implications.

But taking it one step further, is a specifically Islamic interbank rate achievable, given the time constraints? Ijlal thinks yes.

"If we move quickly, if the committees can be formed and if we can publish a draft by the end of this year, then I believe it could be possible," he told IFN.

Keeping it real

But not everyone agrees. The impending transition certainly raises a number of Shariah structuring challenges which will require market participants to come together and agree to a common stance which meets the regulatory requirements, complies with Shariah standards and also meets customer needs. And IIFM can and should play a significant role in providing the requisite platform for the industry to discuss and agree a unified approach. But beyond that? The challenges may simply be too great.

"The use of benchmark is driven by market dynamics and customer preference. Unfortunately, given Islamic finance is still a minority, they are not in a position to dictate terms and impose their own benchmark," argued Khurram of Standard Chartered.

And of course, don't forget that the Islamic markets do not operate in a vacuum. In this regard, a uniquely Islamic interbank rate could create more problems than it solves — specifically through the potential for leverage should it differ from the conventional market rate. With a pure Islamic transaction there should be no problems – unless the Islamic rate is higher than the conventional, in which case Islamic banks — which after all still have a duty to make profits — may be reluctant to pay more for their funding. But the real trouble would arise in any cross-border or dual-tranche transactions. Would a conventional bank want to take on an unfamiliar cost at an unfamiliar rate? Would an issuer be willing to accept two different rates and would it make the Shariah tranche less attractive/competitive? Would this have an impact on the performance of Islamic as compared to conventional instruments?

> **"The use of benchmark is driven by market dynamics and customer preference. Unfortunately, given Islamic finance is still a minority, they are not in a position to dictate terms and impose their own benchmark"**

"In the wholesale banking space, many customers are still accessing finance from both pools of liquidity ie Islamic and conventional," stressed Khurram. "Hence, having two different benchmarks just doesn't work for the customers. As a result, historic attempts to create a dedicated Islamic benchmark have not gained much traction."

Could things be different this time around? Some say yes, and some say no. What is certain, however, is that whichever direction the market chooses to take, there are no easy answers.

QIB's Formosa Sukuk pins Taiwan on the Sukuk map

With QIB's debut Formosa Sukuk facility issued last week, Taiwan has made it to the Sukuk world. Till this historic deal, Hong Kong was leading in the region with three sovereign Sukuk deals. But now, Taiwan is on the move and more Formosa Sukuk are expected to come. MARC ROUSSOT has the story.

Both unprecedented and unexpected, QIB's US$800 million fiver-year Formosa Sukuk will be listed on the Taipei Exchange on the 7th February, after the celebration of Chinese New Year.

The Reg S Islamic paper, which will also be listed on the Irish Stock Exchange, was priced at a spread of 135bps over the three-month LIBOR. It attracted over US$1 billion in bids from Asian, Middle Eastern and European investors, pushing the bank to upsize its facility from an initial US$650 million.

> ***"Taipei Exchange has approached Islamic banks and corporates from the Middle East and Southeast Asia, which are keen on issuing Sukuk in Taiwan"***

"Taiwan is a market where investors really like the good credit profile of Middle Eastern issuers," according to a banking source speaking to IFN under the condition of anonymity.

A number of issuers from the Middle East have indeed tapped the Taiwanese market in the past including Qatar National Bank, which issued a US$600 million Formosa bond on the 16th January, only four days before QIB, as part of its efforts to diversify its funding sources.

Prior to that, in April 2019, the UAE's First Abu Dhabi Bank and Saudi Arabia's Arab Petroleum Investments Corporation had raised US$1.1 billion and S$300 million respectively through Formosa bonds.

Undoubtedly, QIB's Sukuk issuance is a considerable achievement and success for both Taiwan and its stock exchange, where Sukuk had never been issued nor listed before. And more are expected to come.

Taipei Exchange has approached Islamic banks and corporates from the Middle East and Southeast Asia, which are keen on issuing Sukuk in Taiwan. Some potential Sukuk are still waiting for the right price and right timing for issuances, Mandy Lee, from Taipei Exchange's bond department, told IFN.

This sudden interest in issuing Sukuk out of Taiwan is the result of new regulations introduced in 2019 by the Financial Supervisory Commission (FSC) and the Taipei Exchange.

"The new regulations issued last year, allowing Sukuk to be listed on the Taipei Exchange, created a good opportunity for QIB to diversify its funding sources," confirms IFN's source.

Specifically, the Taipei Exchange updated its Rules Governing Management of Foreign Currency Denominated International Bonds to create a more conducive regulatory environment for Sukuk listing.

Prior to that, the FSC had tweaked its regulatory framework in June 2019 in a bid to encourage the birth of a domestic Sukuk market, boost the development of Taiwan's securities market, and increase its diversity both in terms of issuers and types of securities.

With this update, the FSC allowed foreign issuers to sell foreign currency denominated Sukuk facilities in Taiwan and market them to professional investors. The Sukuk types are limited to Ijarah and Wakalah.

"The issuance of Sukuk in Taiwan is expected to provide professional investors with diversified investment targets, which will facilitate the flexibility of their asset allocation and attract diversified foreign issuers to participate in China's capital market. The development of China's capital market should have its positive benefits," the FSC had said in a statement.

Turkey welcomes first Sukuk for natural gas distribution sector

A Turkish energy company has turned to the Islamic capital market to raise funding for the natural gas distribution sector, the first for the Republic as Turkey soldiers on with creating a sustainable renewable energy sector. NESSREEN TAMANO writes.

The first issuance of Islamic lease certificates in the natural gas distribution sector of Turkey was worth TRY150 million (US$25.28 million), and was also the second issuance for the wider energy sector, affirming the country's aspirations of forming a natural gas corridor within its borders.

The issuer, Palmet Gaz, is part of Palmet Enerji, one of Turkey's long-standing energy companies, and was established in 2014 as an umbrella organization for the subsidiaries operating in the natural gas market.

The proceeds from the Sukuk will be used to finance investments in natural gas infrastructure, and to create added value by expanding the distribution network. According to the issuance arranger, Turkiye Sinai Kalkinma Bankasi — or the Industrial Development Bank of Turkey (TSKB), this will reduce the use of coal in additional areas newly connected to the distribution network, while significantly contributing to efforts to cut carbon emissions.

The Sukuk facility, issued on the 27th December 2019, has a tenor of two years with quarterly profit payments, and is also TSKB's first lease certificate issuance.

Onur Aksoy, the head of capital markets at TSKB Investment Banking, said: "We started out with the aim of providing TRY100 million (US$16.86 million) in funds. The final amount of issuance stood at TRY150 million, thanks to the high demand of investors."

According to the Asian Development Bank, for Turkey to achieve its energy targets set for 2023, there is an expectation that the market must receive investments worth US$130 million, and an increase in the use of renewable energy is a promising route as the country faces energy challenges due to the limited availability of fossil fuels.

> *"For Turkey to achieve its energy targets set for 2023, there is an expectation that the market must receive investments worth US$130 million"*

Turkey had increased its efforts to tap all available financing sources throughout 2019. According to S&P Global, the country tapped the Islamic market for US$5.7 billion in the first five months of 2019, compared with US$1.6 billion in the same period in 2018.

Company Focus: Turon Bank

Islamic finance is deepening its roots in Uzbekistan as Turon Bank becomes the latest of a few local banks to have secured a line of financing from one of the members of the IsDB Group over the past three years. MARC ROUSSOT has more.

Turon Bank is in discussions with the Islamic Corporation for the Development of the Private Sector (ICD) to finance several sectors of Uzbekistan's economy, IFN has learnt from Nargiza Sadullaeva, the head of trade finance and documentary operations division at Turon Bank.

This new initiative comes as Turon Bank secured a US$6 million line of financing from the International Islamic Trade Finance Corporation (ITFC) back in July 2019 to fund SMEs, using the Murabahah structure, without regional or sectoral restriction.

A number of trade contracts have already been financed to the tune of US$1 million per company. Therefore, Turon Bank foresees that only six to 10 companies will benefit from the line of financing.

"The approach is to keep the number small during the pilot phase and to significantly increase the number of beneficiaries during the following lines," Nargiza shares.

Uzbekistan's MSME financing gap stands at about US$11.79 billion and represents 17.67% of the country's GDP while the SME financing gap is US$10.16 billion, according to SME Finance Forum.

Turon Bank, which recorded a net profit of UZS68.14 billion (US$7.13 million) and UZS4.72 trillion (US$493.93 million) in total assets as at the end of the third quarter of 2019, began talks with the ITFC back in September 2018.

"Representatives of the ITFC visited our bank and discussed ways and means of cooperation and assisting Uzbek companies in obtaining short-term financing for the import of raw materials/commodity and other goods," explains Nargiza.

Around the same time, at least the five other Uzbek banks, namely Asia Alliance Bank, Trustbank, Hamkorbank, KapitalBank and Ipak Yuli Bank were also approached and have since then secured lines of financing from the ICD or the ITFC.

Pakistan releases sandbox guidelines for regulated sectors, including Islamic financial services

Ramping up efforts to encourage innovation in its regulated sectors, the Securities and Exchange Commission of Pakistan (SECP) has issued the Regulatory Sandbox Guidelines 2019 in preparation for the first cohort of the country's first-ever regulatory sandbox. NESSREEN TAMANO reports.

The guidelines include eligibility criteria and instructions for applicants to ensure they meet requirements; Islamic financial service providers participating are urged to ensure their solutions are consistent with Shariah standards.

Available for the overall corporate sector, including insurance, non-banking finance and capital markets among others, the SECP's regulatory sandbox is a tailored and controlled environment that allows entities to conduct limited scale live tests of innovative products, services, processes and business models.

> ***"Successful candidates will be allowed to test their innovations for a period of six months"***

The first cohort's application period will be open from the 1st February 2020 until the 15th March 2020, and eligible entities include registered companies and unregistered start-ups. All applicants will undergo preliminary screening and detailed evaluations, and successful candidates will be allowed to test their innovations for a period of six months.

Pakistan joins the growing list of countries putting in efforts to support fintech, insurtech and innovation in the Islamic banking and finance industry. The UAE's Dubai International Financial Centre, Dubai Financial Services Authority and Abu Dhabi Global Market each have sandboxes that allow start-ups to experiment, and the Central Bank of Bahrain, the Saudi Arabian Monetary Authority, Bank Negara Malaysia and the Central Bank of Kuwait all have regulatory sandbox frameworks for Islamic fintech.

In the final stretch before Brexit, ADIB UK drops banking license to focus on real estate

As the UK is due to leave the EU on Friday, Abu Dhabi Islamic Bank (ADIB) UK has decided to surrender its banking license to focus on real estate, a traditional playground for Islamic investors who have also been taking advantage of the many opportunities offered by the over three-year long pre-Brexit era. MARC ROUSSOT has more.

ADIB UK will focus on developing its commercial real estate financing business and will be withdrawing all regulated banking services, including current accounts, savings and deposits, as well as safe deposit boxes by the end of July 2020.

"The decision came following a rigorous evaluation process that took into consideration the high demand for commercial real estate financing, where ADIB has built a strong full-service property financing solution to support clients' investment strategies in commercial real estate in the UK in compliance with Islamic Shariah principles," the bank said in a bourse filing.

ADIB UK has always had a strong presence in the real estate sector. In 2018 alone, the bank increased its financing assets customers by 97%. During the first eight months of that year, the bank had provided financing amounting to GBP26 million (US$33.96 million) for the acquisition of the GBP40.3 million (US$52.64 million)-worth Travelodge Hotel at London's Heathrow Airport by a Saudi client.

The bank had also arranged and structured Islamic financing transactions to fund the purchase of two office buildings on behalf of an Abu Dhabi-based client and a Saudi Arabian investor.

ADIB UK's decision to give up its banking license is nonetheless an important shift for the bank, which was aiming to "build a sustainable banking business in the London market that will serve these and other individuals and entities from MENA through the delivery of a full banking service model including deposit and credit products to high net worth individual customers based in these countries," according to the bank's latest annual report.

By focusing on real estate, ADIB UK is now expected to seize opportunities offered by the post-Brexit era due to start on the 1st February 2020. In the short term, the period is forecast to be similar to the pre-Brexit era, with real estate investors benefitting from the weakened pound sterling, which lost about 10% of its value against the US dollar since the UK voted to leave the EU in June 2016.

Investors can also count on strong growth from the UK's commercial real estate sector, according to CBRE. The US commercial real estate services and investment firm predicts that demand for logistics space in the UK will continue to be resilient during 2020, as market fundamentals remain robust.

In addition, office occupier markets' demand for new, high-quality space is expected to continue in 2020 as corporate occupiers use real estate as part of their recruitment and retention strategy in a tight labor market.

However, it remains to be seen whether the positive market conditions combined with the bank's new strategy will help ADIB UK return to the black. The company, incorporated in July 2010, reported a GBP2.14 million (US$2.8 million) loss in 2018 continuing a negative earning trend from 2017 when it made a GBP3.31 million (US$4.32 million) loss, although it is a 35.35% improvement year-on-year.

Philippines's new Islamic banking rules vital step forward but constraints remain

Market players have welcomed in earnest the Philippines's long-awaited Islamic banking regulations which set the foundation for its fledgling industry; but the ASEAN economic powerhouse still has to wrangle with monumental challenges, compounded by the absence of an enabling environment for other integral components of the ecosystem, if it wants to fully develop its Shariah finance sector. VINEETA TAN writes.

Despite being among the first in the world to house a fully-fledged Islamic bank almost half a century ago, the Philippines has for years been struggling to expand the Shariah banking proposition to its 105 million-strong population. This perhaps does not come too much of a surprise considering the makeup of the country is predominantly Catholics; however, with greater autonomy to the Republic's second-largest minority group, the Muslims (which account for almost 6% of the population), and the strong push by President Rodrigo Duterte's administration for financial inclusion, Shariah banking has become a national priority.

After years of delays, the Filipino government finally **approved new rules** for Islamic banking recently and issued **new guidelines** early this year, allowing conventional banks and foreign banks to also have Shariah banking exposure. But like what has been witnessed in most countries which had adopted Islamic banking such as Indonesia, Turkey and Morocco, it would be years before non-interest banking could command a sizeable share of the banking sector, which one could assume would be more challenging in a non-Muslim majority market.

"Despite the potential for better regulation to further develop Islamic banking in the Philippines, we believe the sector's growth will remain constrained by limited funding sources, as well as a lack of public awareness and trust in Islamic financial services, at least in the medium term," opined Fitch Ratings.

The new regulations have paved the way for new players to enter the sphere

which for the last five decades has been monopolized by loss-making Al Amanah Islamic Investment Bank (the country's sole Islamic bank) and also for Islamic banking service providers to issue Sukuk, among other functions. But there are still issues of tax parity for Islamic financial transactions versus conventional deals which need to be ironed out before Shariah banks could stand on an equal footing with their conventional peers, according to Fitch. Not forgetting that the Republic still does not have a formal legal approach to treat Islamic insurance — a key pillar for the Islamic finance industry, including banking — neither does it have a detailed and clear mechanism for Sukuk offerings. Industry participants also think the lack of a national Shariah authority could potentially be a stumbling block for further development, although the new law did mandate the establishment of Shariah boards at the institutional level.

"One factor to watch will be whether the authorities' efforts to develop the regulatory environment are able to attract foreign direct investment, leading to merger and acquisition activity or potential tie-ups that might accelerate the sector's growth," shared Fitch which believes that foreign Islamic financial institutions, from the GCC for example, could have an interest in the potential of cross-border deals.

As posited by IFN **previously**, developing the Islamic finance market through the capital markets rather than the retail banking route may be more strategic considering the overbanked dynamics of the Philippines; and the involvement of foreign banks/investors would be instrumental. IFN understands that several non-domestic banks are considering the possibility of making their Islamic finance mark in the Philippines, and this is the prevailing sentiment, or hope, of the market.

"Despite the potential for better regulation to further develop Islamic banking in the Philippines, we believe the sector's growth will remain constrained by limited funding sources, as well as a lack of public awareness and trust in Islamic financial services, at least in the medium term"

"Now that a well-defined policy has been set, the Bangko Sentral ng Pilipinas is confident that domestic and foreign financial institutions, even those not operating under Islamic principles, will be encouraged to invest in Islamic banking operations," wrote Felix Sy, the managing partner of Insights Philippines Legal Advisors, when the Islamic Banking Act was passed. "Further, the passage of the law will entice Muslim business owners and entrepreneurs in the Philippines and abroad to enter the Philippine market now that they have the option to transact with, and entrust their investments in Islamic banks,"

Sovereign securities: Sukuk in the works for Saudi Arabia, Iran and Pakistan

Saudi Arabia, Iran and Pakistan have shared plans to issue Sukuk in the coming months, while many regular issuers of Shariah securities have tapped the Islamic capital market over the past seven days as January comes to a conclusion. MARC ROUSSOT writes.

Saudi Arabia

Saudi Arabia could borrow US$4 billion in 2020 and is considering debt in euros, riyals as well as Sukuk.

Separately, the Saudi Ministry of Finance closed its January 2020 issuances under the government SAR-denominated Sukuk program, at SAR6.72 billion (US$1.79 billion).

Iran

Iran's Ministry of Economy reportedly plans to raise IRR47 trillion (US$1.11 billion) from the sale of a 42-month Sukuk Manfa'at facility carrying a 17.9% yield, in order to cover its budgetary needs in the current fiscal year ending in March.

Pakistan

Pakistan's Economic Coordination Committee of the Cabinet has reportedly given its approval to the Ministry of Energy (Power Division) to raise PKR200 billion (US$1.29 billion) through the issuance of Pakistan Energy Sukuk II, proceeds from which will be used to repay liabilities of the distribution companies.

Kuwait

The Central Bank of Kuwait auctioned three-month conventional bonds and related Tawarruq facilities worth KWD240 million (US$788.57 million) and carrying a profit rate of 2.75%. The facility received KWD2.91 billion (US$9.56 billion) in bids.

Iraq

The Central Bank of Iraq floated 30-day CBI certificates worth IQD50 billion (US$41.64 million). The apex bank received three bids amounting to IQD43 billion (US$35.81 million). The certificates, which were auctioned on the 13th January 2020, carry an average yield of 1.5%.

Malaysia

Bank Negara Malaysia placed Islamic liquidity management tools worth RM81.11 billion (US$19.94 billion) over the past seven days.

Indonesia

The Indonesian government is reportedly planning to issue IDR27.35 trillion (US$2 billion)-worth of Sukuk this year to finance projects.

Separately, the Republic is targeting to raise IDR7 trillion (US$511.85 million) from five sovereign Shariah securities to be auctioned on the 28th January 2020.

Bangladesh

Bangladesh Bank auctioned a six-month Bangladesh Government Islami Investment Bond, receiving 10 bids worth BDT7.22 billion (US$83.47 million).

Gambia

The Central Bank of Gambia sold three-month and six-month Sukuk Salam papers worth GMD10 million (US$193,975) each, as well as a one-year GMD20 million (US$387,950) Sukuk Salam facility on the 22nd January 2020.

The three-month paper was undersubscribed, the six-month facility was oversubscribed, while the one-year facility was fully subscribed.

Upcoming sovereign Sukuk

Country	Amount	Expected issuance date	Date of announcement
Indonesia	IDR7 trillion	28th January 2020	22nd January 2020
Iran	• IRR1.09 quadrillion (over multiple programs) • IRR40 trillion	• Throughout the fiscal year of 2020–21 • TBA	• 7th January 2020 • 17th December
Pakistan	• PKR700 billion • PKR250 billion • At least US$1 billion • TBA (diaspora Sukuk or bond)	• January 2020 • TBA • TBA • TBA	• 17th December 2019 • 10th December 2019 • 10th September 2019 • 29th January 2019
Turkey	• TRY600 million • TBA (euro-denominated)	• TBA • TBA	• 1st October 2018 • 28th May 2019
Oman	TBA (domestic Sukuk)	TBA	25th November 2019
Mauritania	MRU400 million	29th January	25th November 2019
Saudi Arabia	TBA (savings Sukuk)	TBA	6th February 2019
South Africa	TBA (likely domestic Sukuk)	TBA	11th July 2019
The UK	TBA	TBA	21st June 2019
Nigeria	TBA	TBA	19th June 2019
Kazakhstan	TBA	2020	17th May 2019

Senegal: Staying competitive

Senegal is an attractive investment destination, particularly for Islamic investors, with — according to World Population Review – 94% of its 16.55 million population being Muslim, a favorable and relatively peaceful political and economic environment, and a competitive banking system. NESSREEN TAMANO reviews the 2019 highlights of Islamic banking and finance in the West African nation.

Economy

Senegal's economy is largely held together through the trade of fish, phosphates, nuts and tourism industries, and the country relies heavily on foreign aid, which makes up nearly a third of its overall government spending.

According to the World Bank, growth has been high — over 6% since 2014, accelerating to over 7% in 2017, and expected to remain over 6% in the following years. However, even though the economy is considered to be stable, nearly half of the citizens live below the poverty line.

Regulatory landscape

The West African Economic and Monetary Union (WAEMU) governs the banking sectors and regulates the banking industries — both conventional and Islamic — of eight African countries, including Senegal. Initiatives to boost the region's Islamic finance have been floated in the past few years, including a plan to establish a program supporting Islamic microfinance activities and the creation of a Shariah board.

While the country does not have a dedicated Islamic finance and banking law, it is in the midst of adjusting its policies to accommodate Shariah compliant products and services.

In 2015, a bill to formalize and regulate the Waqf sector was passed and put under the responsibility of the High Authority of Waqf. In April 2018, the government voted in a law to allow Waqf, and in 2019, an agreement was signed with the IsDB to fund the development of this sector.

Also in 2018, Senegal, along with nine other countries from the region, established the Reseau Africain pur la Promotion de la Finance Islamique, an African network for the promotion of Islamic finance, which also supports the WAEMU's efforts in developing the industry.

The Central Bank of West African States has been holding working sessions to improve the regulatory framework for Islamic finance operations in the WAEMU's member states, expected to be published in the first half of 2020.

Banking and finance

Senegal has one fully-fledged bank, Banque Islamique du Senegal, and two Islamic banking windows — Coris Bank International's Baraka and the National Bank for Economic Development's Islamic window, announced in May 2019. Other Islamic financial institutions include Faisal Islamic Bank and the Islamic Investment Company, as well as Tamweel Africa Holding's Islamic subsidiary in Senegal.

The Senegalese government has utilized Islamic financing to drive its private sector and support its trade segment. The IsDB, of which Senegal is a member country, is its largest development partner. In 2018, the IsDB's Islamic Corporation for Development of the Private Sector (ICD)'s Islamic Financial Institutions Program partnered with Banque Sahelo-Saharienne pour l'Investissement et le Commerce (BSIC), a financial institution serving the Sahel Saharan states, to assist BSIC Senegal with technical advisory services to establish new Islamic banking windows.

The IsDB's International Islamic Trade Finance Corporation (ITFC) is also working on a project with Coris Bank International designed to improve SMEs' access to financing while increasing trade finance product offerings for banks. Since 2008, Senegal has benefitted from over US$321 million of financing from the ITFC.

The Islamic Microfinance Development Program is a national campaign, also known as PROMISE, that aims to financially support 50,000 MSMEs and create 25,000 new jobs over five years. To do this, PROMISE will create awareness on Islamic finance among potential borrowers and direct them to partner Islamic microfinance companies. PAMECAS, a pioneeer Islamic microfinance player in Senegal, is said to be in discussions with PROMISE to join the program.

Senegal has tapped the Islamic capital market before — once in 2014 and another time in 2016, an issuance listed on the WAEMU member countries' regional stock exchange, Bourse Regionale des Valeurs Mobilieres.

In 2017, FCP Al Baraka, the region's first and only Islamic fund, was launched in Senegal by CGF Bourse, with XOF1.5 billion (US$2.52 million) of assets under management.

Takaful

Sen Assurance Vie's Takaful window, also known as SenTakaful, was established in February 2018 in Senegal, and, as the only player in the country, offers only one product: a life Takaful contract to back Shariah compliant financing in cases of death, disability and unemployment of the financing subscriber.

In October 2019, the Inter-African Conference on Insurance Markets (CIMA) accommodated Takaful and re-Takaful activities in 14 central and west African countries under its purview, including Senegal, through the adoption of dedicated regulations. The new rules authorize the distribution of family, life and non-life Takaful contracts.

Syndicated financing: Sharp decrease

The Islamic syndicated financing market has shrunk both in number and value between 2018 and 2019, according to Dealogic data. In total 43 deals worth US$23.32 billion were recorded in 2018 while US$18.91 billion was raised in 2019 from 24 deals. It represents an 18.91% fall in value year-on-year. MARC ROUSSOT reports.

Regions

Once again, the Middle East led the Islamic syndicated financing market in 2019 with US$13.65 billion raised through 18 deals, against US$20.72 billion through 31 deals the year before.

While the six GCC member countries were among the top 10 sovereigns where syndicated financings were signed in 2018, only three made it into the top 10 league last year.

Europe held its second position on the podium with one syndicated financing worth US$4.44 billion in 2019 followed by two deals from the Indian sub-continent amounting to US$315 million.

In 2018, Europe and its two financings worth US$811 million were followed by Africa with US$750 million raised in one deal.

Other regions recorded in 2019 included Southeast Asia, North Asia and Africa with one financing each worth US$300 million, US$120 million and US$93 million respectively.

Countries

In terms of countries, the UAE led the pack in 2019 with 10 Islamic syndicated financings worth US$6.27 billion ahead of Saudi Arabia which originated six deals worth US$6.09 billion.

The year before, the Saudi Kingdom was in pole position with one US$9.04 billion Islamic syndicated contract, while the UAE was second with two deals worth US$7.45 billion.

Turkey, Bahrain, Pakistan were third (one deal), fourth (two deals) and fifth (one deal) respectively with transactions worth US$4.44 billion, US$1.28 billion and US$315 million.

Other players of 2019 included Malaysia, South Korea and Egypt.

Industries

The construction/building sector took the first position in 2019 with three deals worth US$4.71 billion. It was followed by the metal and steel industry and the utility and energy sector with two and one deals worth US$4.35 billion and US$4.05 billion, respectively.

The government sector led in 2018 due to a mammoth US$7.65 billion deal from Saudi Arabia, the largest amount raised through a syndicate of banks in that year.

Other industries represented in the top 10 were finance, oil and gas, chemicals, transportation, food and beverage, real estate/property and government.

Deals

In August, Indonesia's MUFG Bank closed a US$1.85 billion syndicated Islamic financing facility for the Jambaran-Tiung Biru project by Pertamina EP Cepu, a subsidiary of Indonesian state-owned energy company Pertamina.

The transaction is one of the largest project financings by Pertamina and has a unique hybrid financing structure featuring conventional and, for the first time, Islamic project finance facilities under the well-established trustee borrowing scheme.

In November, Saudi Arabia's Arabian Centres Company obtained two Shariah compliant syndicated financings following the Ijarah and Murabahah structures and worth a total amount of US$1.4 billion.

The proceeds will be utilized to reimburse outstanding facilities, pay fees, costs and expenses of the facilities, finance the general purpose of the company and as working capital.

In the same month, the government of Pakistan raised AED575 million (US$156.52 million) through a one-year Islamic syndicated financing arranged by Shariah compliant Ajman Bank, in which a number of regional and international banks participated.

Aluminium Bahrain is currently looking at different options to refinance its US$1.5 billion syndicated term-loan facility (comprising of an Islamic tranche), which was closed in October 2016 in connection to its Line 6 expansion project.

Table 1: Top five issuer countries for syndicated Islamic financings in 2019

Rank	Issuer nationality	Deal value in US dollar million (Proceeds)	Number of deals
1	The UAE	6,271	10
2	Saudi Arabia	6,093	6
3	Turkey	4,435	1
4	Bahrain	1,283	2
5	Pakistan	315	2

Source: Dealogic

Table 2: Top five issuer sectors for syndicated Islamic financings in 2018

Rank	Issuer general industry group	Deal value in US dollar million (Proceeds)	Number of deals
1	Construction/Building	4,705	3
2	Metal & Steel	4,345	2
3	Utility & Energy	4,053	1
4	Finance	2,116	7
5	Oil & Gas	920	1

Source: Dealogic

NASDA Green Energy's syndicated finance: Supporting sustainability

A company owned by Pakistan's Soorty Group, NASDA Green Energy, contributed to changing the energy mix in the country, which tilts significantly toward thermal sources of energy, with syndicated long-term project finance facilities extended in November 2019 to partly finance the company's 50 MW power project. NESSREEN TAMANO has the details.

The transactions consist of a Musharakah onshore financing worth PKR4.7 billion (US$26.12 million) and an Istisnah-structured offshore financing worth US$25 million. The facilities will be used to finance the design, construction and commissioning of NASDA Green Energy's 50 MW wind power project located at Jhimpir, in the Pakistani province of Sindh.

> *It is very rare that financial institutions would come up with a firm approval on a project finance deal with a tenor of 12 to 14.5 years*

Being a renewable energy syndicated transaction, it bears multiple impactful advantages, including a positive impact on the environment. "The transaction has been structured to benefit the end-consumer as well, which has been achieved by negotiating and executing a very competitive set of project documents," said Meezan Bank, which also played the role of onshore financier alongside the offshore financier the IsDB's Islamic Corporation for the Development of the Private Sector (ICD).

Soorty Group exited the world of conventional financing in favor of Islamic financing over a decade ago, a representative from the company told IFN, adding that Shariah compliant financing was the first and only choice for the NASDA project.

"One of the challenges of this transaction is that, Soorty Group's no-compromise policy for Shariah-based financing meant a limited choice of financiers. Stringent timelines was also a challenge — it is very rare that financial institutions would come up with a firm approval on a project finance deal with a tenor of 12 to 14.5 years. Both financiers came up with their approvals well within four weeks; the performance of the team and management remains unprecedented in cross-border multi-currency transactions."

The wind power project has zero reliance on imported fuel, and the syndicated facility can be considered a step toward easing the challenges faced by the country, with the offshore US$25 million arranged by the ICD adding to foreign direct investment inflows and helping ease the foreign exchange reserves situation of Pakistan.

The transaction also utilized a concessionary financing scheme under the independent power producers segment offered by the State Bank of Pakistan to promote green banking and the use of renewable energy to ensure sustainable banking and development, as well as help the country overcome the dual challenge of energy shortage and climate change.

The project is expected to result in a reduction of carbon emissions and has the potential of generating additional revenue through the sale of carbon credits.

Principal advisors	Haidermota & Co (owner's legal advisor) Clifford Chance (financiers' offshore legal advisor) Vellani & Vellani (financiers' onshore legal advisor)
Governing law	Musharakah: Pakistan law; Istisnah: English law
Underlying assets	Project's fixed and moveable assets
Shariah advisor	Meezan Bank
Tradability	Non-tradeable

NASDA Green Energy's syndicated long-term project finance facilities

PKR4.7 billion onshore and US$25 million offshore

18th November 2019

Obligor	NASDA Green Energy
Sponsor	Soorty
Instrument	Syndicated long-term project finance
Size of issue	Total value: US$51.12 million (at PKR180 per US$1) Breakdown: PKR4.7 billion (US$26.12 million) onshore financing (Musharakah); US$25 million offshore financing (Istisnah)
Profit rate	Musharakah: State Bank of Pakistan Rate 3% + 2% margin; Istisnah: three-month LIBOR + 4.25%
Issuance price	100%
Payment	Quarterly in arrears
Currency	Musharakah: Pakistani rupee Istisnah: US dollar
Purpose	To finance the design, construction and commissioning of the company's 50 MW wind power project
Financial closing date	18th November 2019
Tenor	Musharakah: 12 years; Istisnah: 14.5 years
Mandated lead advisor and arranger	Meezan Bank
Financiers	Meezan Bank and Islamic Corporation for the Development of the Private Sector

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LEASING

Query:

Is it allowed to authorize the supplier to carry out some procedures of the sale to the purchase undertaker on behalf of the leasing company in Malaysia?

Pronouncement:

This is not allowed, based on Istihsan, because it amounts to making the leasing company in Malaysia merely a financer, for it would never manifestly take the role of either buyer or seller.

[Translator's note: Istihsan is sometimes called 'juristic preference'. Ibn al-'Arabi, of the Maliki school, defines it as "abandoning, exceptionally, what is required by a Shariah law because applying the existing law would lead to a departure from one of its own objectives". Al-Sarakhsi of the Hanafi school defines it as "setting aside Qiyas in favor of that which is more suitable for the people".]

CURRENCY EXCHANGE RATES

Query:

We bought US dollars at different exchange rates in a single day. Which rate should we use when dealing with our customers?

Pronouncement:

The currency's rate should be evaluated in a Murabahah sale on the day you purchase the goods. This is because you become liable for the price at that moment, even if actual payment is delayed. As for identifying the rate on that day, it is the rate at which local banks sell to the customers who request letters of credit. Thus, the cost price of purchasing the currency will not be taken into consideration if it is different from the prevailing rate.

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Mudarabah contract is a partnership – but in profit only

***Sohail Zubairi** is the senior advisor with the Dubai Islamic Economy Development Centre. He can be contacted at sazubairi1979@gmail.com.*

We ended the last article at the question of whether the adoption of the Mudarabah principles can protect an investor from unscrupulous individuals who are out to fleece the innocent people having wealth but lack ideas for its deployment.

Before we search for the answer, it will be important to gain mastery of Mudarabah principles and their application in both – the desirable outcome (ie profitable conclusion) as well as the adversity (ie a loss situation).

Mudarabah can also be defined as a partnership. Yes, a partnership but only in the case of a desirable outcome or profitable run whereby the profit is shared between the 'partners' in Mudarabah. If the outcome is otherwise ie loss, the entrepreneur does not bear it.

An interesting situation I witnessed during my Islamic banking days: a customer of the bank regularly took Mudarabah finance and each time fruitfully completed the Mudarabah period and shared the profit with the bank at the ratio agreed with the bank. However, due to adverse market conditions, he could not continue with the successful run and one Mudarabah transaction bore loss.

Although he offered to share the loss in the same manner as he had shared the profit, the Shariah board of the Islamic bank stopped him from doing so. This was based on the Shariah principle that the loss of capital must be borne by the capital provider. Since the customer did not invest and was acting as the fund manager or Mudarib, the Shariah board absolved him from bearing any losses.

To elaborate it further, the Rabb Al Mal or the fund provider owned 100% of the Mudarabah capital and in case of a genuine loss, it will be entirely borne by the Rabb Al Mal whereas the Mudarib shall only be entitled to a share in the Mudarabah profit as per a pre-agreed ratio and in case of a loss, he will not bear it as well as not be compensated for his efforts.

Risk management is such a vast area and banks and financial institutions spend huge amounts on training their relevant employees on the ways to eliminate or manage risks from a financing transaction, and even then at times they do not get it right.

In this backdrop, you can only marvel at the Shariah structure of Mudarabah viz a viz the protection embedded in it for the fund provider or Rabb Al Mal which is that the Mudarib or fund manager shall be limited to share the profit, if and only if, the deployment of the Mudarabah funds have produced any profit. As such, if despite strenuous efforts, the Mudarib is unable to produce any profit by the end of Mudarabah period, he or she shall not be entitled to any compensation.

I had earlier explained that the definition of profit in Shariah is what exceeds the capital. In this situation, by default the Mudarib shall strive its best to grow the Mudarabah capital to the north so that the profitable run of the Mudarabah investment enables it to claim the share in the profit from Rabb Al Maal.

As such, if the Mudarib fails to register any increase over and above the original capital provided by Rabb Al Mal, he will not be able to receive any compensation for his efforts in managing the Mudarabah affairs.

As per a formal Mudarabah contract drawn between the parties, the investor provides funds (or tangible assets/goods or any other non-monetary asset(s)) – appropriately valued to the satisfaction of the Mudarib in order to ascertain the Mudarabah capital at the commencement of the Mudarabah contract.

The entrepreneur utilizes its skills in investing the Mudarabah capital in order to earn a Halal profit for the Mudarabah. The nature of the Mudarabah capital delivered by Rabb Al Mal, either in cash or kind, must be agreed at the time of the signing of the Mudarabah agreement.

The Mudarabah profit is jointly owned by the Rabb Al Mal and Mudarib and shared between them upon its realization as per a pre-agreed distribution ratio. As explained above, the genuine loss, if any, is only borne out by the Rabb Al Mal since he is the owner of the entire Mudarabah capital.

The investor or provider of the capital is called Rabb Al Mal and the entrepreneur Mudarib. In the case of an Islamic bank, the depositors are Rabb Al Mal whereas the bank is the Mudarib. When it comes to the bank to invest the depositors' funds by way of Mudarabah, it becomes Rabb Al Mal and the customer receiving funds is termed a Mudarib.

A Mudarabah contract must be drawn based on the following essential Shariah parameters:

a. The purpose of entering into the Mudarabah contract must be explicitly stated, and should not be left to the imagination of any parties or for any Shariah repugnant activity;
b. The offer should be clearly stated in the contract, either from the Mudarib or the Rabb Al Mal;
c. Acceptance from the counterparty (Mudarib or Rabb Al Mal) should be on the same terms as related to the offer. Otherwise, in the case of a variation in terms and conditions, a counter-offer will be made which will necessitate acceptance by the original offeree.

The views and opinions expressed in this article are those of the author and do not necessarily reflect the opinions of the Dubai Islamic Economy Development Centre, nor the official policy or position of the government of the UAE or any of its entities. The purpose of this article is not to hurt any religious sentiments either consciously or even unwittingly.

Russian civil state regional authorities support Islamic education within country

RUSSIA

By Dr Ilyas Zaripov

The authorities of Ingushetia, one of the Muslim regions in Russia, plan to expand the support of educational programs for Islamic specialists and their kind to work in the field after graduating from Islamic universities in 2020, as reported by the minister of foreign relations, national policy, press and information of the Republic of Ingushetia, Ruslan Volkov.

The minister's plan also covers all the Imams of mosques. The Fund to Support Islamic Culture, Science and Education (the Fund) will be used to implement these tasks by providing grants to Imams who have graduated from Islamic universities and will start work in hard-to-reach places and remote villages.

"The deputy chairman of Sberbank, Oleg Ganeev, estimates that the total amount of Islamic assets in 2024 will reach about US$3.5 trillion"

Around 200 Imams and teachers received such support from the foundation in 2019 and since more Islamic students are expected to participate in this program, the quota might increase to 500 people in 2020.

At the same time, the ministry aims to instruct religious organizations to carry out targeted recruitment at Islamic universities in the first place. This is necessary for a student studying at an Islamic university to know in advance where he or she will work in. Such qualified specialists can get an increased

scholarship and be employed after graduation, with the Fund providing financial support for three years.

In addition, the minister highly appreciated the educational level of six Ingush students studying at the Bulgarian Islamic Academy in Tatarstan which has excellent conditions for obtaining religious and general education knowledge.

Sberbank, the biggest Russian state bank, plans to activate participation in Islamic banking and finance projects within Russia and other countries. According to the estimation by the experts of Sberbank, the global assets under the control of Islamic finance are about US$2.2 trillion. Halal food, for example, has traditionally been in great demand in Russia. Even in non-Muslim countries, consumers have more trust in the quality of Halal products.

Sberbank is interested in participating in such a huge business as an investor and financial partner. The deputy chairman of Sberbank, Oleg Ganeev, estimates that the total amount of Islamic assets in 2024 will reach about US$3.5 trillion. Sberbank plans to use payments in national currencies even in Islamic finance transactions with countries in Central Asia and the Persian Gulf as well as Azerbaijan and Turkey.

Dr Ilyas Zaripov is a member of the Participating Banking Working Group of the Central Bank of the Russian Federation and the head of the Islamic Finance Educational Program of the Plekhanov Russian University of Economics. He can be contacted at iliyas888@yandex.ru.

IFN Country Correspondents

AFGHANISTAN: Manezha Sukhanyar
former head of Islamic banking, Maiwand Bank

ALGERIA: Dr Ahmed Tahiri Jouti
COO, Al Maali Consultancy Group

AUSTRALIA: Dr Pasquale Franzese
responsible manager, Professional Fund Manager

BAHRAIN: Dr Hatim El-Tahir
director of Islamic Finance Knowledge Center, Deloitte & Touche

BANGLADESH: Md Touhidul Alam Khan
deputy managing director, Prime Bank

BRAZIL: Fábio Amaral Figueira
partner, Veirano Advogados

CANADA: Rehan Huda
managing director, Amana Canada Holdings

CHINA: Wafee Yeung
managing director, Allalah Consulting

EGYPT: Dr Walid Hegazy
managing partner, Hegazy & Associates

GERMANY: Ahmet Kudsi Arslan
CEO, KT Bank

HONG KONG: Wafee Yeung
managing director, Allalah Consulting

INDIA: Dr Syed Salman
Shariah finance expert at Eco-Ethics Consultancy

INDONESIA: Irwan Abdalloh
head of Islamic Capital Market, Indonesia Stock Exchange

IRAN: Majid Pireh
head of Islamic finance group at the Securities and Exchange Organization of Iran

ITALY: Stefano Padovani
partner & head of banking and finance, NCTM Studio Legale Associato

IVORY COAST: Abbas Cherif
CEO, Islamic Finance Intelligence and Management

JAPAN: Dr Etsuaki Yoshida
project associate professor, Kyoto University

KAZAKHSTAN: Shaimerden Chikanayev
partner, Grata Law Firm

KENYA: Tego Wolasa
retail and product development manager, KCB SAHL Bank

KUWAIT: Issam Al Tawari
managing partner, Newbury Economic Consultancy

KYRGYZSTAN: Daniyar Mamyrov
consultant, Gateway Islamic Advisory

LUXEMBOURG: Nida Khan
doctoral researcher, SEDAN Research Group

MALAYSIA: Ruslena Ramli
head, Islamic finance, RAM Rating

MALDIVES: Aishath Muneeza
chairman, Maldives Center for Islamic Finance

MALTA: Reuben Buttigieg
president, Malta Institute of Management

MOROCCO: Dr Ahmed Tahiri Jouti
COO, Al Maali Consultancy Group

NIGERIA: Hajara Adeola
managing director and CEO, Lotus Capital

OFFSHORE CENTERS: Manuela Belmontes
partner, Maples Group

OMAN: Asad Qayyum
senior associate, Al Busaidy, Mansoor Jamal & Co

PAKISTAN: Muhammad Shoaib Ibrahim
managing director & CEO, First Habib Modaraba

PHILIPPINES: Rafael A Morales
managing partner, Morales & Lumagui

QATAR: Amjad Hussain
partner, K&L Gates

RUSSIA: Dr Ilyas Zaripov
member, Partnership Banking Working Group, Central Bank of the Russian Federation

SAUDI ARABIA: Nabil Issa
partner, King & Spalding

SENEGAL: Pierre Alexandre Lette
guarantees service lawyer, Banque Islamique Du Senegal

SRI LANKA: Suresh R I Perera
principal, Tax & Regulatory, KPMG

TUNISIA: Mohamed Araar
General directorate of External Financing and Settlements, deputy director of Private Financing and International Relations Department, Central Bank of Tunisia

TURKEY: Ayse Nur Aydin
international relations specialist from the Participation Banks Association of Turkey

UAE: Anita Yadav
vice-chair, The Gulf Bond & Sukuk Association

UK: Suhail Ahmad
founder of the Financial Network and partner, Gateway Islamic Advisory

US: Aliredha Walji
vice-president, ShariaPortfolio US

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Investment accounts in Morocco

MOROCCO

By Dr Ahmed Tahiri Jouti

As of the 15th January 2020, four banks out of eight have already started to offer investment accounts in line with Shariah principles and with the contracts approved by the Higher Council of Ulemas in March 2019. This delay in launching investment accounts is justified by the following elements:

- The main local specificities governing the functioning of investment accounts such as:

  a) The reserves — the profit equalization reserve (PER) and investment risk reserve (IRR) need to be returned to investment account holders at the end of the contract. Therefore, the PER and IRR are individualized instead of being kept in the bank's balance sheet.

  b) The bank does not have the right to waive a portion of its profit share or its equity for profit smoothing or to cover the loss (if there is any). The profit (or loss) calculated is returned (or borne) by the customer without any manipulation.

  c) If the bank estimates that the profit share needs to be modified, the customer needs to approve the modification before applying it to his or her investment account.

- Most of the information technology systems used in Islamic banks in Morocco cannot charge for all the local specificities. Therefore, some adjustments were required as well as some specific workarounds that, in some cases, took more time than expected.

- In terms of investment strategies, Islamic banks and windows in Morocco were very careful to define their strategies in terms of :

  a) Investment account maturities and categories: Indeed, without profit-smoothing mechanisms, Islamic banks would serve the calculated profits. In this context, Islamic banks are targeting

corporations and consumer finance products to lower the real estate weight in their investment portfolio that will have, at least from a theoretical perspective, a positive impact on the profit rates. Therefore, launching investment accounts with a maturity of more than 12 months would be risky for banks that would serve higher profit rates than the targeted one.

  b) Targeted profit rate to serve to investment account holders: Islamic banks in Morocco are all targeting their break-even. Thus, the profit rates to serve to customers should take into account the break-even requirements, the profit rates served by conventional banks as well as Islamic banks and the expectations of the people to move to Shariah compliant investment accounts.

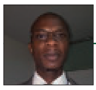
  c) Mechanisms to mitigate the risk of serving higher or lower profits than expected especially during the first months of activity.

Nevertheless, by the 31st December 2019, investment accounts could reach US$35 million. In 2020, it is expected that the size of investment accounts would be more significant for three main reasons:

- Islamic banks would have served profits to their customers and would have made sure that all the mechanisms are working very well.
- Islamic banks would have understood better the commercial strategies to adopt to attract more customers.
- The four other Islamic banks would have started offering investment accounts.

Dr Ahmed Tahiri Jouti is COO of Al Maali Consulting Group. He can be contacted at a.tahiri@almaaligroup.com.

The perception of Islamic finance in Senegal



SENEGAL

By Pierre Alexandre Lette

Senegal, a country with a population of 95% Muslims, has been experiencing a rather slow progress in the implementation of the Islamic economic system. This implementation involves the establishment of new Islamic banks, new Islamic microfinance institutions, the establishment of Takaful companies or windows and the development of support structures set up and supervised by Senegalese practices consistent with Islamic finance.

All these actions are so far at the project state. However, there is optimism at the level of the Central Bank of West African States, which has registered several applications for accreditation for Islamic microfinance institutions.

Despite these projects and the authorities' desire to establish a framework conducive to ethical finance, the Senegalese perception of Islamic finance remains limited to religious connotations.

Indeed, most people or entities involved in Islamic finance only highlight the religious aspects of this economic system. It is true that this economic system draws its sources from religion, but it should not be confusing. Some principles and prohibitions of Islamic finance have been evoked by other religions as well. In addition, Islamic finance is not religious finance.

So in order to highlight the real advantages and opportunities of the Islamic financial system, the emphasis must be on the advantages and tools of this financial system.

As we always say, in Senegal we are 95% Muslims but not 95% practitioners. Most Senegalese asked about Islamic finance say they do not understand or that it is a matter of religion. This is because most people who host conferences or seminars do not teach Islamic finance well. They are limited only to teaching the sources and fundamentals of Islamic finance.

Hence, promoting Islamic finance by confining it to religion will only make the offers contained in this economic system incomprehensible. It is also an economic system that offers benefits to everyone, regardless of religion or culture. It is important to communicate differently in Islamic finance in order to reach all those who are religious so that they will adhere to this economic system.

Promoting Islamic finance by highlighting only religion will not allow Senegalese to see the opportunity and the need to discover this sector and develop it on a large scale.

In Senegal, if the players really agree to communicate much more about the true nature of the Islamic economic system, its perception will be clear and limpid in the minds of everyone.

Pierre Alexandre Lette is the guarantee service lawyer at Banque Islamique Du Senegal. He can be contacted at palette@bis-bank.sn.

Indonesian Islamic capital market: Where will we go?

INDONESIA

By Irwan Abdalloh

Although the global and domestic markets experienced a bit of turbulence, the Indonesian Islamic capital market continued to grow in 2019. There was no significant impact from all the events on the development of the Indonesian Islamic capital market. The huge market potential and support of stakeholders will remain the main variables driving the growth of the Indonesian Islamic capital market in 2020.

The Indonesian Islamic capital market showed impressive growth in 2019. The return from the Indonesia Shariah Stock Index was 2.03% higher than the Indonesia Stock Exchange (IDX) Composite Index which was 1.7%. The increase in the number of Islamic-based retail investors was 54% while the market share reached 6.2% of total retail investors compared with 4.5% in the previous year. More than 50% of stock trading in the IDX was dominated by Islamic stocks.

Indonesia can achieve all of these positive performances because the development of the Islamic capital market focuses on the retail market and consistently creates Islamic-based investment product innovation. Every year, the Indonesian Islamic capital market launches a new Islamic-based investment product for the retail market since the revival of the Islamic capital market in 2011. For the past three years, the innovation focused on developing Islamic philanthropy-based investment products such as stock Zakat and tradable Islamic stock Waqf.

Almost all analysts predict that global economic growth will be around 3% for 2019 and also 2020. All economic indicators will be behind the expected numbers which are threatening global growth prospects. Of course, this will affect the global Islamic capital market growth.

Indonesia, as one of the Islamic capital markets in the world with the most potential, should be worried about these conditions. The Islamic capital market size is still small when benchmarked to the total capital market size. Therefore, the Indonesian Islamic capital market is relatively fragile and at risk from sizeable shocks in the market.

To manage the risks and protect from shocks, the market should consistently keep creating innovative Islamic-based investment products and keep increasing public awareness.

The data shows that the median age of Indonesians is 28 years old while young people make up 68% of the population. Accordingly, the development of the Islamic capital market should be digital-based and focus on the retail market. Fintech and start-up companies will play an important role in the development of the Indonesian Islamic capital market in the future. Past experience has proven that the retail market can maintain market stability and sustainability.

Irwan Abdalloh is the head of the Islamic Capital Market Division at the Indonesia Stock Exchange. He can be contacted at irwan.abdalloh@idx.co.id.

Australia — challenges from the bushfire crisis and taxation system

AUSTRALIA

By Dr Pasquale Franzese

Australia has over late December 2019 to mid-January 2020 been subject to devastating bushfires in New South Wales, Victoria and South Australia. The toll in loss of human life, destroyed properties and destruction of bushland has been extensive. As at the 22nd January 2020, there have been 29 deaths, 2,617 properties destroyed and approximately 9.7 million hectares of bushland burnt, attributable to the various bushfires across Australia, as reported by the Melbourne Herald Sun.

The final amount of insurance claims is not able to be ascertained at this time, but based on past experience of similar bushfire disasters is likely to be in the range of several hundred million Australian dollars. Despite the devastation, the economic impact is not

expected to be significant on Australia's GDP growth over the next 12 months. JPMorgan and AMP economists estimate a downward effect of 0.25% on projected annual GDP growth attributable to the bushfire crisis, according to the Australian Financial Review.

Concerns as to the Australian taxation system on the growth of Islamic finance has once again been raised by the Australian Islamic finance sector in late 2019. Despite an extensive review by the Australian Taxation Office in 2010 as to the required changes to taxation law to assist the development of Islamic finance, none of the proposed amendments or enhancements has been implemented.

Especially problematic is the double taxation of property state taxes on the transfer of land holdings from many Islamic finance-type arrangements. Although Victoria has provided some limited relief, the other Australian states have not been forthcoming. This makes certain Murabahah-styled contracts extensive if double state taxation is liable to be paid on the transfer of title. It is expected that the major providers of Islamic home financing will take up the matter with the relevant state revenue offices over 2020.

Dr Pasquale Franzese is the head of regulatory compliance at MCCA. Any comment or opinion expressed in this article are his own and not that of any organization that he may be involved with. Dr Franzese can be contacted at pas.franzese@gmail.com.

Middle Eastern markets active as 2020 promises bumper issuances

DEBT CAPITAL MARKETS

By Imran Mufti

December 2019 saw shareholders of Dubai Islamic Bank (DIB) approve the acquisition of Noor Bank, resulting in the world's largest Islamic bank globally with AED280 billion (US$76.22 billion) in assets. The merger positions Dubai as a major capital of the Islamic economy and enables the newly merged bank to compete at a global level.

According to Fitch Ratings's global head of Islamic finance, Bashar Al Natoor, mergers and acquisitions in Islamic banks in the GCC are expected to continue in 2020 as: "Islamic banks are searching for market position. Secondly, they are looking for growth opportunities to cement their positions and third, you have overbanking in some countries and the consolidation is something that is happening in these countries — to have a number of financial institutions at the lower level than it is currently."

Undoubtedly, the bigger bank will cement itself as a leading player in the Sukuk market.

NASDAQ Dubai announced the listing of a US$1 billion green Sukuk facility by the IsDB. The Sukuk facility follows the IsDB's previous two listings of US$1.5 billion each in April and October 2019. The issuance is the first green Sukuk under the IsDB's Sustainable Finance Framework. A green Sukuk facility is one in which proceeds from the Sukuk investment can only be used for environment-friendly investments.

In Omani news, the country's Capital Market Authority announced its approval of a OMR300 million (US$777.04 million) Sukuk program through private subscription. The first issue offered one million Sukuk units valued at OMR100 million (US$259.01 million) over five years with a December 2024 maturity date. The second issue will cover the residual two million Sukuk units valued at OMR200 million (US$518.03 million) over seven years with a December 2026 maturity date.

Egypt's Financial Regulatory Authority announced that the country will issue its first corporate Sukuk. CIAF Leasing, an aircraft leasing company, will issue Sukuk worth US$50 million. Following this, a second company which is a contractor, is also set to issue Sukuk worth more than US$1 billion.

At the 26th World Islamic Banking Conference (WIBC) held in Bahrain in December, the Central Bank of Bahrain's executive director for banking supervision, Khalid Hamad said: "Every year at the WIBC we have addressed the most pressing issues facing the Islamic banking industry. This year's edition focused on harmonization of Islamic finance standards, the digital transformation, sustainable finance, mergers and acquisitions and consolidation in the GCC region."

All figures and information are correct at the time of writing.

Imran Mufti is a partner at Hogan Lovells (Middle East). He can be contacted at Imran.Mufti@hoganlovells.com.

Financial education: What went wrong?

EDUCATION

By Dr Kamola Bayram

What is financial literacy? That is a good question, and one that has many different answers depending on whom you talk to. In accordance with the OECD definition of financial literacy which states that it is "a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being', these instruments aim to support the development of sound policies to support financial well-being across the population.

Over the past decades, countries have made concrete progress in financial education. More and more countries have started to develop national strategies for financial education based on robust evidence about the levels of financial literacy in the population, including through the OECD/INFE financial literacy survey. Nevertheless, levels of financial literacy around the world are still far lower than they need to be, and many consumers continue to face difficulties in understanding the benefits and risks of different financial products and in creating financial security for themselves and their families.

In this article, I will share with the reader why despite the mass education programs there is almost no improvement in financial literacy not only among the public but among the graduates of finance departments.

In the aforementioned definition, financial literacy has five components: i) awareness, ii) knowledge, iii) skill, iv) attitude and v) behavior.

Current education systems mainly focus on awareness and knowledge with some focus on skills and almost no focus on the attitude and behavior. Why is it so? Research has generally found that it is relatively easier to improve financial knowledge but more difficult to change people's financial behavior and attitudes. The effectiveness of financial education in changing behavior depends on several factors, including its content, delivery method, the type of behavior it aims at influencing and the target audience. Simply providing information and facts does not effectively change behavior, as much as knowing that one should lose weight does not automatically lead to doing more exercise.

Knowledge is an important factor in influencing behavior as it represents a foundation for decision-making and action. Nevertheless, what matters the most is its content, timing and whether it is actionable and easy to put into practice.

"Current education systems mainly focus on awareness and knowledge with some focus on skills and almost no focus on the attitude and behavior"

Evidence from the evaluation of financial education programs, together with lessons from behavioral sciences, suggested various ways to improve the effectiveness of financial education, including the importance of removing barriers to applying knowledge, creating positive habits and fostering experiential learning. Spending, saving and borrowing are areas where consumers can easily fall into traps, like overspending, or using excessively costly options, due to a social pressure to spend, lack of confidence, lack of hope and other behaviorally related attitudes. Financial education should aim not only at providing relevant knowledge but also at addressing such attitudes.

In my coming article, I will share some innovative and successful methods used in financial education with a focus on behavior and attitude changes.

Dr Kamola Bayram is an assistant professor at KTO Karatay University, Turkey as well as a project consultant and advisor for project management at the International Council of Islamic Finance Educators. She can be contacted at kamolaiium@gmail.com.

IFN Sector Correspondents

CROWDFUNDING:
Craig Moore, CEO, Beehive

DEBT CAPITAL MARKETS:
Imran Mufti, partner, Hogan Lovells

EDUCATION:
Dr Kamola Bayram, project director for training and research at the International Council of Islamic Finance Educators

HALAL INDUSTRY:
Dr Sutan Emir Hidayat
director, Islamic Financial Education and Research, National Islamic Finance Committee

ISLAMIC LEASING:
Shoeb Sharieff
president, ijara CDC, ijara Community Development Corp

LAW:
Dr Nicolas Bremer, partner, Alexander & Partner

LIQUIDITY MANAGEMENT:
Raghu Mandagolathur
managing director, Marmore MENA Intelligence

MERGERS & ACQUISITIONS:
Burak Gencoglu, partner, Gencoglu & Ergun Law Firm

MICROFINANCE:
Mohammed R Kroessin
head of Islamic microfinance, Islamic Relief Worldwide

PRIVATE EQUITY & VENTURE CAPITAL:
Dr Emilio Escartin
professor in Islamic Finance at IE Business School Spain

PROJECT FINANCE: Siraj Al Islam
partner and head of Transactional Practice at Law Firm of Mohammed Abdulaziz Al-Aqeel in association with One 2 One Legal, Saudi Arabia

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Philip Churchill
founder partner, 90 North Real Estate Partners

RETAIL ASSET MANAGEMENT:
Muzzammil Dhedhy, chief operating officer, Hejaz Financial Services

RISK MANAGEMENT:
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SHARIAH & CORPORATE GOVERNANCE:
Prof Dr Mohamad Akram Laldin
executive director, International Shariah Research Academy for Islamic Finance

SRI ETHICAL & GREEN:
Dr Mohamed Wail Aaminou, general manager, Al Maali Consulting Group

TAKAFUL & RE-TAKAFUL (ASIA):
Marcel Omar Papp, head of Retakaful, Swiss Re Retakaful

TAKAFUL & RE-TAKAFUL (EUROPE):
Ezzedine Ghlamallah
director, Solutions Insurance and Islamic Finance (SAAFI)

TAX:
Dhana Pillai
head, real estate, tax and project finance, Al Hashmi Law Firm

IFN Correspondents are experts in their respective fields and are selected by Islamic Finance *news* to contribute designated short sector reports. For more information about becoming an IFN Correspondent, please contact sasikala.thiagaraja@redmoneygroup.com

Hay fire or lasting impact of Greta's shadow?

LAW

By Dr Nicolas Bremer

Sustainability has been one of the most discussed issues over the past month. In particular, prominent activists such as Greta Thunberg and the global Fridays For Future movement have captured widespread attention and continue to dominate the headlines. However, sustainability gathers traction far beyond the sphere of activists and protesters. Heads of states have picked up the topic and the role of the economy in shaping a more sustainable future is widely discussed at the World Economic Forum in Davos this year.

This widespread discussion of sustainability will likely also affect the finance sector. While individual institutions have promoted sustainable finance and responsible investment for some time now, sustainable and responsible finance has thus far played a minor role. This may change when growing concern for sustainability among investors increases the market for responsible investments.

The UAE has now taken a first step to strengthen sustainability in the finance industry. Leading financial authorities in the UAE have joined hands to promote sustainability in the UAE's finance and banking sector by publishing the country's first set of Guiding Principles on Sustainable Finance (the Guiding Principles).

The Guiding Principles seek to encourage banks and other finance firms to implement and further extend sustainable practices. While the Guiding Principles remain high-level, the fact that key financial authorities in the UAE — such as the regulator of the Abu Dhabi Global Market — participated in the accord shows a broad commitment of the UAE's financial regulators to the country's sustainable development goals and the UAE's commitments to the Paris Agreement.

While similar guidelines have been issued in other jurisdictions, the Guiding Principles reference Islamic finance in the context of sustainable finance. By including Islamic finance, the Guiding Principles recognize the unique contributions Islamic finance can make in increasing sustainability in the financial industry. The underlying ethical perspective guiding regulations of Islamic finance creates synergies between responsible finance initiatives in the conventional finance industry and Islamic finance.

Aside from sustainability in respect to environmental and humanitarian goals, Islamic finance also includes a strong commitment to balancing interests between borrowers and lenders and removing opportunities for exploitation.

In particular, Islamic finance is driven by efforts to promote social and governance considerations in lending and investment transactions by minimizing risks associated with excessive reliance on debt. As such, Islamic finance offers an effective tool for balancing economic interests with social as well as environmental considerations.

This link between Islamic finance and environmental considerations is not an abstract model anymore. Significant UAE institutions have picked up this concept in their financing strategies. For instance, the Abu Dhabi Department of Energy recently started consultations on the development of a green bond standard. The UAE Authority of Social Contribution also announced its plans to issue a social impact bond this year.

These efforts to implement and expand sustainability in the UAE financial industry, together with the ethical coloration of Islamic finance, harbor a substantial potential for growth in the UAE Islamic finance sector.

It remains to be seen whether institutions can capitalize on these opportunities and whether investor demand will support the initiative to increase sustainability in the (Islamic) finance industry. The current popularity of the topic appears to suggest this.

Dr Nicolas Bremer is a partner at Alexander & Partner. He can be contacted at nb@alexander-partner.com.

Bank Negara Malaysia governor: "Potential for Takaful is immense"

TAKAFUL & RE-TAKAFUL (ASIA)

By Marcel Omar Papp

In a recent open dialogue session with CEOs from all 18 Takaful and re-Takaful operators, Nor Shamsiah Mohd Yunus, the governor of Bank Negara Malaysia (BNM), highlighted that the potential for Takaful is immense — as the government is under pressure to rationalize its benefits to the public in the current difficult economic situation, opportunities are growing for the industry to step in.

For instance, more can be done to support the Bottom-40 (B40) income group that will be most severely affected by economic disruption. The key challenge lies in making products and services accessible to them as buying Takaful products is not at the top of their minds. One way is to bundle them with the purchase of their daily necessities. BNM's plan to introduce new regulations on microinsurance/Takaful should make it easier to offer micro products and enhance accessibility through micro agents.

Another way to reach new consumers is through digital channels. BNM plans to issue new insuretech guidelines this year and is exploring the issuance of five new digital banking licenses over the next two years, which will create opportunities for new digital Takaful operators. The regulator is also planning to ease regulations for Takaful operators to invest in insuretech companies.

A promising channel for the distribution of Takaful products could be through the Waqf and Zakat authorities. While both the governor and industry members agreed that it can be challenging to convince them that Takaful companies are in it for the betterment of the Ummah rather than pure profitability, it is encouraging that at least some of the religious state authorities are more progressive and open to exploring a pilot scheme.

Value-based intermediation remains high on BNM's agenda and Nor Shamsiah urged CEOs to embed its principles in their strategy and operations. She believes that customers will need the industry's support as our world transforms to a more sustainable economy. These include areas such as modern farming, green technology and renewable energy. BNM also recently issued a discussion paper on climate change and principle-based taxonomy and is seeking feedback from the Takaful industry.

Industry representatives took the opportunity to highlight some issues such as increasing motor claims and medical inflation which impact their bottom line. The governor agreed that while proposed measures such as an increase in motor rates and mandatory co-payment of medical costs by patients make sense from a technical perspective, potential political reaction may hinder the introduction of such measures at this point in time.

All CEOs at the dialogue agreed that talent shortage is the biggest challenge to the Takaful industry. Many institutions have been set up in Malaysia to build capacity and grow the talent pipeline, but the efforts have been insufficient to meet the Takaful industry's demand. The governor urged the industry to work closely with education institutions and shared an example where senior banking professionals leveraged collaboration opportunities by becoming professors of practice at higher education institutions to groom the next generation of talents.

An open and constructive discussion, the dialogue between BNM and industry CEOs was highly encouraging. Regular or annual runs of such interactions between the regulator and industry operators will be helpful in maximizing the potential of Takaful.

Marcel Omar Papp is the head of Swiss Re Retakaful. He can be contacted at Marcel_Papp@swissre.com.

Can Islamic finance increase financial inclusion and economic development?

Countries worldwide are increasingly viewing financial inclusion as a crucial part to economic development as it is significant for a sustainable economy. Since over 90 developing countries, representing more than 75% of the world's unbanked population, signed the Maya Declaration (the Alliance for Financial Inclusion's initiative to encourage national commitments to financial inclusion) in 2011 to achieve desirable socioeconomic outcome, financial inclusion has become a growing important concern for a vast number of governments worldwide. AHMED ALI SIDDIQUI and MUHAMMAD JUNAID explore.


Ahmed Ali Siddiqui *is the director and* ***Muhammad Junaid*** *is the research associate at IBA-CEIF. They can be contacted at aasiddiqui@iba.edu.pk and junaidhsk@hotmail.com respectively.*

As per the World Bank's Global Financial Development Report on financial inclusion, more than two-thirds of regulatory and supervisory agencies have been tasked with encouraging financial inclusion, and more than 50 countries have set formal targets and ambitious goals for financial inclusion.

In addition to bank regulators in 143 jurisdictions, a recent survey found that 67% of them have a mandate to promote financial inclusion. It has also been informed that the World Bank Group and a broad coalition of partners have issued numeric commitments to promote financial inclusion and achieve universal financial access by the year 2020.

Apropos of Islamic finance, even though it has proliferated over the past years, further progress can be made to support the socioeconomic aspects. Moreover, the risk-sharing contracts inherent in Islamic finance complemented with the redistributive instruments such as Zakat, Sadaqah, Qard Hasan and Waqf can facilitate access to finance through Shariah compliant banking, microfinance and SME programs, thus creating an enabling environment for economic and social development.

The IMF also highlighted that for Islamic finance sectors to facilitate financial inclusion, access to banking services for underserved Muslims must increase. Islamic finance is a more equitable and just financial system designed to support growth and the betterment of society. Hence, with proper infrastructure and regulations in place to support the potential of Islamic finance, this will eventually contribute to more inclusive economic growth.

Financial inclusion is broadly defined as a measure of the proportion of individuals and firms that use financial services. The benefits go beyond individuals and firms as greater access to financial services for both individuals and firms may help to reduce income inequality and accelerate economic growth. It enables a wider array of individuals and enterprises to access financial services and help to reach the economically and socially underprivileged group of people who have been excluded from the formal financial sector due to various factors such as socioeconomic deficiencies that include, inter alia, financial capability and literacy, geographical inconvenience and a religious concern of prohibited elements such as interest.

In the context of developing countries like Pakistan, financial inclusion is generally considered to be more about broadening the access of formal financial services (payments, savings, loans, Takaful products and such) to individuals and SMEs that are currently out of the banking system. However, the first step is access; the quality of access to affordable products and services that meet different segments' unique needs would be the driving force for the uptake and usage of these services. Without offering any value to the masses, access might create a new problem in the form of inactive banking accounts.

As per the Financial Inclusion Insight report of the Bill & Melinda Gates Foundation (US), in 2017, one in five Pakistani adults (20%) reported ever using a full-service financial institution, up from 16% in 2016. Mobile money was accessed by 13% of adults, 11% accessed banks and 2% used non-bank financial institutions.

According to the Knowledge, Attitude and Practices of Islamic Banking in Pakistan study done by the State Bank of Pakistan (SBP) with the support of the UK Department for International Development, it clearly indicates that there is an overwhelming demand for Islamic banking in Pakistan. Keeping that in view, there is a huge potential for Islamic finance and a significant portion of this demand lies among those who are still financially excluded. About 94.5% of banked and 98% of non-banked respondents of the study consider bank interest as Haram and prohibited in Islam.

In 2017, the SBP continued to prioritize financial inclusion as a key element of its national development program through the National Financial Inclusion Strategy 2015, supported by the World Bank. The SBP published the national telecoms policy to address the existing gap in 2017 by issuing branchless banking regulations, launched the Asaan Remittance Account and is planning to launch the Asaan Mobile Account.

In April 2017, the government of Pakistan launched a US$130 million financial inclusion and infrastructure project focused on improving access to digital payment and advancing access to credit for SMEs. Pakistan Post and Karandaaz have also partnered to digitize money order services in Pakistan.

Overwhelming demand for Islamic finance

One of the most successful examples of financial inclusion is Tabung Haji, a Malaysian Islamic institution that provides various facilities for Hajj pilgrimage. It was established in 1963 with 9.3 million depositors from a total

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population of 30 million, half of which are Muslims. Tabung Haji is recognized as an approved investment institution under the Malaysian government's national development policy. As such, it is invited by companies to participate in their restructuring exercises to reflect local equity participation.

As per a study by Yale University, Muslim-majority countries like Jordan which offer Shariah compliant financing boosted application rates from 18% to 22%. According to a recent study, when both conventional financing and Shariah compliant financing were offered, interestingly, 90% of those that applied for conventional financing ended up applying for the Shariah compliant financing as opposed to the conventional financing when both were priced the same.

Bangladesh has also established a notable Shariah-based model — a poverty alleviation program through Muslim Aid Bangladesh. The program is purely a social mission geared to empower the underprivileged and marginalized people in Bangladesh and benefits millions of people.

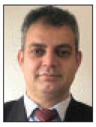
The way forward for financial inclusion in Pakistan

Based on the foregoing discussion, it is very clear that in order to promote financial inclusion among the masses in Pakistan, financial services must be offered to customers and the public by keeping in view the religious preference and cultural norms. That is why it is suggested that the policymakers must ensure that they promote the Shariah compliant practice of deposits as well as financing so that the maximum number of people can utilize bank services which will result in the economic development of the country.

In this regard, all the financing facilities like student financing, the Naya Pakistan Housing Scheme, Asaan accounts and mobile accounts should be based on the Islamic mode of finance. Shariah compliant organizations, policies and procedures and the right intentions of the government can attract people toward financial inclusion and lead to economic growth and development.

Islamic finance in Palestine: A closer look

Islamic financing in Palestine constitutes mainly of three types: Islamic banking finance, microcredit Islamic finance and Islamic insurance companies. Islamic banks in Palestine have a significant share of such financing among all parties. SHAKER ABDULLAH SARSOUR writes.



Shaker Abdullah Sarsour *is an economic researcher at the Palestine Monetary Authority. He can be contacted at ssartawi@gmail.com.*

Table 1: Performance of Islamic banks in Palestine by the end of 2018 (US$ million)

	No of branches	Assets	Deposits	Net credit facility	Equity	Net profit (before tax)	Return on assets (%)	Return on equity (%)
Palestine Islamic Bank	43	1,104.4	904.5	680	109.8	17.9	1.4	13.8
Arab Islamic Bank	22	1,062.3	847.9	681.6	109.4	9.8	0.7	6.5
Safa Bank	6	166	74.3	87.1	66.8	-2.8	-1.7	-4.2
As a percentage of total banks in Palestine (market share)								
Palestine Islamic Bank	12.3%	7.1%	7.4%	8.3%	6.3%	7.7%	1.4%	13.8%
Arab Islamic Bank	6.3%	6.9%	7%	8.3%	6.3%	4.2%	0.7%	6.5%
Safa Bank	1.7%	1.1%	0.6%	1.1%	3.8%	-1.2%	-1.7%	-4.2%
Market share of all Islamic banks	20.3%	15.1%	15%	17.7%	16.4%	10.7%	0.8%	6.8%

Source: The Association of Banks in Palestine, annual comparison 2018

Table 2: Small and microfinance gross loan portfolio as at the end of 2018 (US$ million)

Company	Number of employees	No. of branches and offices	Active clients	Gross loan portfolio
Faten	301	38	35,943	101.2
Vitas	125	10	10,715	53.3
Pal Banking	50	7	824	23.7
Palestinian Development Fund	31	8	973	24.9
UNRWA	188	11	15,982	14.9
Asala	54	7	5,359	13.6
Reef	57	11	3,915	15.8
Acad	55	8	4,447	12.4
Al-Ibdaa	93	7	5,271	9.3
Total	954	107	83,429	269.1

Source: http://www.palmfi.ps/en, fact sheet December 2018

Islamic banking in Palestine is an industry still in its infancy; it started with the establishment of the Palestinian Authority in 1994. This kind of financing faces different challenges and impediments, such as regulatory issues as well as political turmoil (the Israeli occupation).

The first Islamic banks (Arab Islamic Bank and Cairo Amman Bank for Islamic operations) were established in 1995 with six branches for Arab Islamic Bank and three for Cairo Amman Islamic operations, followed by Palestine Islamic Bank and Al-Aqsa Islamic Bank which were established in 1997 and 1998 respectively. By the end of 2018, there were three Islamic banks according to the Palestine Monetary Authority Annual Report 2018: Arab Islamic Bank with 22 branches, Palestine Islamic Bank with 43 branches and Safa Bank with six branches.

Furthermore, there are another two Islamic banks, Islamic National Bank and Production Bank, working in the Gaza Strip, but they are not authorized by the Palestine Monetary Authority (the acting central bank).

The Islamic National Bank has been providing Islamic financial services in the Gaza Strip since 2009. Its assets increased from US$33.9 million in 2010 to around US$84.2 million in 2018. Its net credit facility is about US$59.9 million in 2018 and deposits have reached around US$58.5 million. The bank's equity is about US$23.3 million and its net profit before tax was around US$2.8 million by the end of 2018, according to its website.

The Production Bank is an Islamic bank in the Gaza Strip that has been providing Islamic financing since 2013. Its assets reached around US$39.9 million by the end of 2018. The bank provided financing of about US$26.4 million through its two branches by 2018. Its equity is around US$12.8 million and its net profit before taxes was US$1.2 million during the same period, according to its website.

Some of the specialized microfinance institutions offer Islamic financing besides conventional financing. According to Sharaka, the Palestinian union for small and microfinance institutions, there are nine institutions

Continued

providing small and microfinance financing as at the end of 2018; the financing totaled about US$269.1 million of which around 8–10% was Islamic financing serving 83,429 clients (70% of them in the West Bank compared to 30% in the Gaza Strip) during 2018, according to Sharaka's website.

There are three insurance companies operating in Palestine that provide Islamic insurance services: Al-Takaful Insurance Company and Tamkeen Insurance Company located in the West Bank, and Al-Multazem Insurance Company in the Gaza Strip.

Al-Takaful Insurance Company was established in 2008 and provides Islamic insurance services based on Shariah principles through its 21 branches. Its portfolio reached around US$41.3 million by the end of 2018, comprising around 14.8% of the insurance portfolio of all insurance companies operating in Palestine, according to the Palestine Capital Market Authority (PCMA)'s website.

Tamkeen Insurance Company started providing Islamic insurance services at the beginning of 2018, with a capital of around US$8 million. The company provides its Islamic services through 10 branches. The portfolio of the company reached around US$7.7 million by the end of 2018, equivalent to around 2.8% of the insurance portfolio of the all insurance companies in Palestine, according to the PCMA.

Al-Multazem Insurance Company was established in 2008 and operates in the Gaza Strip. It is the first company that provides cooperation insurance services through six branches, where its total assets reached around US$20.7 million by the end of 2018, with owners' equity reaching US$14.1 million. Its net profit after tax was about US$890,000 by the end of 2018, according to the company's website.

Leasing companies are considered as another source of Islamic finance in Palestine, since they are Shariah compliant and operate under the supervision of the PCMA. There are 13 leasing firms providing around US$92.1 million of financial services by end of 2018, according to the PCMA.

The UK's Shariah compliant finance offering – growth upon growth?

Islamic finance globally is dominated by banks offering Shariah compliant financing and this is particularly evident in countries such as the UK which have had relatively little traction with Shariah compliant debt capital markets or equity products.


Shakeel Adli, a partner and the head of Islamic finance at CMS and Sean Gough is an associate at CMS. They can be contacted at shakeel.adli@cms-cmno.com, sean.gough@cms-cmno.com respectively.

The UK's attractive property market, strong business culture and investor-friendly legal framework are a natural draw for investors from around the globe. These investors are inevitably attracted to London, which remains a vital component of the UK's financial services and property offering.

Add to this London's status as the fintech capital of the world (with over US$420 million invested in the first quarter of 2017 – nearly four times the amount invested in Berlin-based fintech companies during the same period) and the fact that there are just under 3.5 million Muslims in the UK and it is no wonder that the UK is the leading Western nation in terms of Islamic financing.

This said, the political landscape of the UK at the time of writing is undergoing one of the greatest peace time changes in living memory. The 2016 Brexit Referendum was reinforced by the landslide victory for the Conservatives in last year's Christmas election, an election that also laid bare a surge in Scottish nationalism.

These events will inevitably bring with them a change to the sentiments, activity and appetite of investors both at home and abroad. Whether or not these changes will see London's status as a hub for Shariah compliant financial products outside of Southeast Asia and the GCC falter is to be seen.

Paul Maisfield, the head of UK real estate finance at ADIB (UK), remains optimistic for the year ahead: "We expect to witness good growth in our real estate financing business in the UK during 2020. The UK still offers transparency and security that is not available in many other parts of the world. This, combined with sterling remaining weak against the dollar makes the UK an even more comparatively attractive investment proposition."

Looking at the retail market, Gatehouse Bank has recently published research into, among other things, the awareness and perception of Islamic finance generally in the UK. This research has shown that, interestingly, up to 46% of Muslims in the UK have not used Islamic finance products, and that this number increases to over 50% among Muslim women.

That said, 71% of people surveyed indicated that they thought Islamic finance products were ethical, but most found that these were hard to source and compare. It appears that there is work to be done to ensure that Muslim consumers are made aware of the availability of products out there, especially given that the same demographic contribute GBP31 billion (US$40.49 billion) to the UK economy.

The natural association of ethics and Islamic finance products bodes well for 2020, especially given the surge in consumer awareness of the importance of ensuring our day-to-day lifestyles are sustainable. People are now more than ever proactively looking for businesses to demonstrate that they operate in an ethical and sustainable manner.

Al Rayan Bank, the oldest Islamic bank in the UK, through Maisam Fazal, its chief commercial officer, has indicated that: "Ethical finance and 'green' mortgages are also growing in awareness and popularity, so we expect this market to expand further into 2020 and beyond. A survey we carried out with YouGov reveals that two thirds of UK adults consider it important for companies providing them financial services to operate ethically and Islamic finance providers such as Al Rayan Bank are already making their mark in this area, as our banking activities are in-keeping with the ethical values of Islam."

Whilst consumers are naturally tending toward more ethical products, it is also key to the future of Islamic finance to innovate and adapt to the shifting market conditions. For instance OFFA has recently become the only Shariah compliant bridging finance provider in the UK, providing short-term commodity Murabahah to its customers.

"Overall, the bridge finance providers are very positive about prospects for the UK in 2020, our own businesses and the bridging sector as a whole. Competition is expected to increase with lower rates and higher loan-to-values in the conventional sector. This creates its own challenges of managing risk. Having launched the UK's first bridge platform OFFA we operate in a niche sector," said Bilal Ahmed, the head of credit at OFFA. "It would seem, the downward slope in positivity has been reversed. It is hoped that the general feeling of positivity will turn out to be realistic and we look forward to a great end to the uncertainty of Brexit. The challenges OFFA face in the coming year is educating the market to use an alternative faith-based finance as opposed to using conventional finance."

There has also been innovation in the fintech sector with companies like Nester starting to offer a Shariah compliant alternative to conventional fintech companies. "Looking forward to this new year, and considering the shift in landscape the last 12 to 18 months fintech has introduced a fresh dynamic to the sector and there have been a number of new, innovative, business sprouting with Islamic principles at their foundation," Youness Abidou, the founder and CEO of Nester.

Whilst it is true that there are a number of challenges facing Islamic finance (and in fact all finance) in the UK in 2020, it is also true that there are opportunities and a growing market out there for those who can successfully promote the intrinsically ethical nature of Islamic finance, and innovate new products to give consumers the breadth of variety currently available in the conventional finance market.

DEALS

Niger State gets nod for Sukuk program

NIGERIA: The Niger House State of Assembly has approved the establishment of a NGN20 billion (US$54.92 million) Sukuk program by the Niger State, IFN confirmed with Zakari Abubakar, the commissioner for finance of the Niger State government.

CBK sells conventional and Tawarruq papers

KUWAIT: The Central Bank of Kuwait (CBK) has auctioned three-month conventional bonds and related Tawarruq facilities worth KWD240 million (US$788.57 million) and carrying a profit rate of 2.75%, according to an announcement. The facility received KWD2.91 billion (US$9.56 billion) in bids.

CBI auctions 30-day Islamic certificates

IRAQ: The Central Bank of Iraq (CBI) has floated 30-day CBI certificates worth IQD50 billion (US$41.64 million). The apex bank received three bids amounting to IQD43 billion (US$35.81 million), according to a statement. The certificates, which were auctioned on the 13th January 2020, carry an average yield of 1.5%.

Indonesia auctions Shariah securities

INDONESIA: The Indonesian government received IDR46.91 trillion (US$44 billion) in bids from five sovereign Shariah securities auctioned on the 28th January 2020, according to a statement. The total nominal won is IDR8 trillion (US$587.63 million).

GFH prints Sukuk

BAHRAIN: Bahrain-based GFH Financial Group (GFH) has printed a US$300 million five-year Sukuk facility, according to a bourse filing. The orderbooks were oversubscribed 2.5 times, exceeding US$750 million with a yield of 7.5%.

The Sukuk issuance saw strong participation from international investors who received 48% of the allocation and the remaining 52% was allocated to regional investors.

Societe Generale and Standard Chartered were hired to coordinate the deal and they are the joint lead managers together with Emirates NBD Capital, KAMCO Investment, Mashreqbank, SHUAA Capital and Warba Bank.

Iran plans to sell Sukuk Manfa'at

IRAN: The Ministry of Economy of Iran plans to raise IRR47 trillion (US$1.11 billion) from the sale of a 42-month Sukuk Manfa'at facility carrying a 17.9% yield, in order to cover its budgetary needs in the current fiscal year ending in March, Financial Tribune reported.

QIB upsizes Formosa Sukuk

QATAR: Qatar Islamic Bank (QIB) has upsized its debut Formosa Sukuk from US$650 million to US$800 million following overwhelming investor demand, confirmed a bourse filing. The offering is part of QIB's US$4 billion trust certificate issuance program, which will be dual listed on the Taipei and Irish stock exchanges.

BNM issues Islamic money market instruments

MALAYSIA: Bank Negara Malaysia (BNM) has issued four Islamic money market instruments for RM15 billion (US$3.68 billion), according to separate statements.

BNM also auctioned two Islamic liquidity management tools for RM14.43 billion (US$3.54 billion) and five Islamic papers for RM17.51 billion (US$4.3 billion).

BNM further issued five Islamic money market instruments for a total of RM34.17 billion (US$8.4 billion).

Pakistan to issue energy Sukuk

PAKISTAN: Pakistan's Economic Coordination Committee of the Cabinet has given its approval to the Ministry of Energy (Power Division) to raise PKR200 billion (US$1.29 billion) through the issuance of Pakistan Energy Sukuk II, proceeds from which will be used to repay liabilities of the distribution companies. According to Gulf Today, the Sukuk will use assets of distribution and generation companies as collateral through open competitive bidding.

Saudi Arabia mulls Sukuk

SAUDI ARABIA: Saudi Arabia could borrow US$4 billion in 2020 and is considering debt in euros, riyals as well as Sukuk, Trade Arabia reported citing Bloomberg's interview of Saudi Finance Minister Mohammed Al-Jadaan.

TTDI KL Metropolis issues one IMTN

MALAYSIA: TTDI KL Metropolis has issued a two-year Ijarah-based Islamic medium-term note (IMTN) worth RM20 million (US$4.91 million), according to an announcement. The facility carries a 6.2% profit rate.

STSSB places ICPs

MALAYSIA: Sunway Treasury Sukuk (STSSB) has offered two 31-day Mudarabah-based Islamic commercial papers (ICPs) worth a total of RM250 million (US$61.36 million), according to separate announcements.

STSSB further issued a 1-month Islamic commercial paper (ICP) worth RM100 million (US$24.58 million). The ICP

DEAL TRACKER Full Deal Tracker on page 32

EXPECTED DATE	COMPANY / COUNTRY	SIZE	STRUCTURE	ANNOUNCEMENT DATE
TBA	Al-Arafah Islami Bank (Bangladesh)	BDT5 billion	Sukuk Mudarabah	28th January 2020
TBA	Top Glove Corporation	TBA	Sukuk	24th January 2020
2020	Indonesia	IDR27.35 trillion	Sukuk	24th January 2020

received 10 bids worth RM206 million (US$50.64 million).

CBG's Sukuk Salam papers receive mixed demand

GAMBIA: The Central Bank of Gambia (CBG) has sold three-month and six-month Sukuk Salam papers worth GMD10 million (US$193,975) each, as well as a one-year GMD20 million (US$387,950) Sukuk Salam facility on the 22nd January 2020, according to a statement.

The three-month paper was undersubscribed, the six-month facility was oversubscribed, while the one-year facility was fully subscribed.

AIBL to issue Sukuk Mudarabah

BANGLADESH: Al-Arafah Islami Bank (AIBL) will issue a third subordinated Sukuk Mudarabah through private placement for BDT5 billion (US$57.79 million), redeemable in seven years, to strengthen the bank's capital, according to a bourse filing. The issuance is subject to the regulator's approval.

Saudi Arabia closes January 2020 Sukuk issuances

SAUDI ARABIA: The Saudi Ministry of Finance has closed its January 2020 issuances under the government SAR-denominated Sukuk program, at SAR6.72 billion (US$1.79 billion), according to a statement.

The issuances were divided into two tranches: the first tranche with a total size of SAR715 million (US$190.44 million) maturing in 2027, and the second tranche with a total size of SAR7.84 billion (US$2.09 billion) maturing in 2030.

Indonesia plans to finance projects with Sukuk

INDONESIA: The Indonesian government is planning to issue IDR27.35 trillion (US$2 billion)-worth of Sukuk this year to finance projects, the Insider Stories reported citing Luky Alfirman, the director-general of financing and risk management of the finance ministry.

Setia Recreation issues IMTN

MALAYSIA: Setia Recreation has issued a five-year Murabahah Islamic medium-term note (IMTN) worth RM3 million (US$737,446), arranged by Public Investment Bank, according to a statement. Maturing on the 26th June 2025, the unrated paper carries a 4.89% profit rate.

Top Glove sets up Sukuk program

MALAYSIA: Top Glove Corporation has set up a perpetual Sukuk program of up to RM3 billion (US$738.49 million), confirmed a bourse filing. The Wakalah Bi Al-Istithmar facility, which will be issued through TG Excellence, has been assigned a rating of 'AA' by Malaysian Rating Corporation.

AEON Credit Service places ICP

MALAYSIA: AEON Credit Service has placed a one-month Islamic commercial paper (ICP) based on the Murabahah concept, worth RM50 million (US$12.29 million), according to an announcement. Rated 'P1' by RAM Ratings, the paper was arranged by RHB Investment Bank.

Bangladesh sells six-month BGIIB

BANGLADESH: Bangladesh Bank has auctioned a six-month Bangladesh Government Islami Investment Bond (BGIIB), receiving 10 bids worth BDT7.22 billion (US$83.47 million), according to a statement. The profit-sharing ratio of the accepted bids was 90:10.

Mumtalakat Sukuk receives overwhelming demand

BAHRAIN: Bahrain's sovereign wealth fund Mumtalakat Holding Company has received US$4 billion-worth of orders for its US$500 million Sukuk facility, which carries a 4.25% yield, Mubasher reported citing CNBC Arabiya's interview of Mumtalakat CEO Khalid Al Rumaihi.

AFRICA

NBK battles Kencom Sacco Society

KENYA: The National Bank of Kenya (NBK) is in a dispute with Kencom Sacco Society over an estate worth KES3.9 billion (US$38.25 million), developed using a loan advanced by the lender, Business Daily Africa reported. The dispute is about whether or not the NBK has breached part of the agreement and charged interest contrary to Islamic banking law, under which the parties signed when the KES1.95 billion (US$19.13 million) loan was borrowed.

Suez Canal Bank partners with MoneyGram

EGYPT: Suez Canal Bank, which offers Islamic products, has entered into a strategic partnership with MoneyGram International, a global leader in cross-border peer-to-peer payments and money transfers, according to a statement.

The agreement will enable MoneyGram customers from around the world to send money directly to the bank accounts of friends and family members in Egypt.

Tunisia's central bank launches sandbox

TUNISIA: The Central Bank of Tunisia has launched a regulatory sandbox, according to a statement.

ASIA

Companies explore digital banking licenses

MALAYSIA: Ride-hailing group Grab, gaming firm Razer, airline AirAsia, telecoms firm Axiata and lender CIMB are among companies looking to apply for digital banking licenses in Malaysia, Reuters reported.

In December 2019, Malaysia's central bank announced plans to issue up to five licenses to new online banks offering either conventional or Islamic banking under a proposed licensing framework set to be finalized by the end of June 2020.

BNM cuts OPR

MALAYSIA: Bank Negara Malaysia (BNM) has reduced the overnight policy rate (OPR) to 2.75%, confirmed a statement. The ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 3% and 2.5% respectively. In line with the changes, Malaysian Islamic banks have also slashed their base rate and base lending rate by 25bps. Banks which have done so include CIMB Islamic, Public Islamic, Maybank Islamic, RHB Islamic and Hong Leong Islamic, according to separate announcements.

AIBL to form subsidiary company

BANGLADESH: Al-Arafah Islami Bank (AIBL) has informed its board of directors of its decision to form a subsidiary company for its mobile financial services business, jointly with Green More, according to a bourse filing. The decision is subject to approval from the regulator.

Amana Bank opens self-banking center

SRI LANKA: Amana Bank has opened its 19th self-banking center at Hill Street, Dehiwala, according to a press release. The new self-banking center is the Islamic bank's third location in the Dehiwala region, which includes a fully-fledged branch on Galle Road.

BankIslami Pakistan signs agreement with Indus Motor

PAKISTAN: BankIslami Pakistan has signed an agreement with Indus Motor Company, the exclusive manufacturer of Toyota vehicles in Pakistan, to enable smooth auto financing for their residual value customers, according to a press release.

NRB Commercial Bank launches Islamic window

BANGLADESH: NRB Commercial Bank has launched its Islamic banking window 'Al Amin', according to a statement.

GLOBAL

AAOIFI and TKBB collaborate

GLOBAL: AAOIFI and the Participation Banks Association of Turkey (TKBB) have signed an MoU to collaborate in enhancing the awareness and promotion of Islamic finance in Turkey and globally by exchanging information and conducting joint capacity-building programs related to AAOIFI standards in Turkey and other jurisdictions.

AAOIFI and the TKBB also seek to host events focused on areas of mutual interest and promote their activities to the respective networks and local industries, according to a press release.

FAB in talks to buy Bank Audi's Egyptian unit

GLOBAL: First Abu Dhabi Bank (FAB), which offers Islamic products, is in talks to potentially acquire the Egyptian subsidiary of Lebanon's Bank Audi, Reuters reported.

Warba Bank may buy stake in KMEFIC

GLOBAL: Warba Bank may purchase the shareholding percentage of both Ahli United Bank Kuwait and Ahli United Bank Bahrain in Kuwait and Middle East Financial Investment Company (KMEFIC), according to a statement.

Negotiations are still in progress and no final agreement has been concluded concerning the deal amount.

Alif Bank opens first office in Uzbekistan

GLOBAL: Founded with a commitment to comply with the principles of Islamic finance, Tajikistan's Alif Bank is now expanding internationally with its first office in Uzbekistan, The Banker reported.

AAOIFI ratifies amendment

GLOBAL: The AAOIFI Governance and Ethics Board has ratified an amendment related to the auditing standard for Islamic Financial Institutions No 6 on 'External Shari'ah Audit', according to a statement.

The objective of the amendment is to allow a one-time optional deferment for the long-form report in view of numerous requests received from professional practice firms and the industry.

Boubyan Bank offer to acquire BLME now unconditional

GLOBAL: Boubyan Bank has announced in a bourse filing that its offer to acquire the entire issued and to-be issued ordinary share capital of BLME is now unconditional both as to acceptances and in all respects.

The offer will remain open for acceptances until 1pm (London time) on the 19th February 2020.

EUROPE

A&O partner passes away

UK: Atif Hanif, a banking partner and the head of Islamic finance for Europe at Allen & Overy (A&O), has passed away at age 41, according to Legal Week.

APPGIF to hold first meeting

UK: The All-Party Parliamentary Group on Islamic Finance (APPGIF), a group of over 90 stakeholders acting as the voice of the Islamic finance industry in parliament, will hold its inaugural meeting on the 4th February 2020, according to an official announcement. During the meeting, office bearers will be elected and a brief plan for the group's activities will be put forward.

Turkey's Islamic banking assets to double

TURKEY: Turkey's Islamic banking assets are set to double within 10 years, as evolving regulations and government policy encourages the sector to expand, Moody's Investors Service said in a report. The sector represented just over 5.8% of banking assets as at the end of September 2019. The rating agency explained that the Turkish government's three new state-owned Islamic banks established from 2015 to 2019, are broadening access and increasing competition. In addition, a state-funded US$2.6 billion International Financial Centre in Istanbul (IIFC) scheduled to open in 2023 will be a new catalyst for growth. It is intended to establish Istanbul as global center for finance, and development of Islamic finance is a key pillar of the IIFC strategic plan.

MIDDLE EAST

Alafco closes Murabahah deal

KUWAIT: Alafco Aviation Lease and Finance Company in a bourse filing confirmed the closure of a US$600 million five-year unsecured Murabahah facility, signed on the 24th June 2019, following the receipt of the final US$80 million tranche. The transaction, which will cover the operating and capital cost of the company, will increase its assets through an US$80 million raise in cash and cash equivalents, and an equal increase in liabilities. Al Ahli Bank of Kuwait and HSBC MENA were the deal's coordinators and subscription managers while Warba Bank acted as the investment advisor and main organizer and participated in the subscription management. Commercial Bank of Kuwait, the National Bank of Bahrain, Kuwait International Bank and First Abu Dhabi Bank (FAB) were engaged as the main organizers with FAB also acting as an international advisor. Gulf Bank, Mashreq Bank and Korea Development Bank also participated in the transaction.

Azizi Developments partners with DIB

UAE: Real estate developer Azizi Developments has signed a partnership agreement with Dubai Islamic Bank (DIB) to offer its customers customized financing solutions, according to a press release.

Under the agreement, those interested in investing in property can now avail customized finance solutions that are tailored exclusively for Mina, the developer's luxury residential development on the east crescent of Palm Jumeirah, and Riviera, its 71-building French–Mediterranean-inspired community project in the heart of Mohammed bin Rashid City.

Islamic start-up Tayyab joins Startupbootcamp

UAE: Startupbootcamp FinTech Dubai has announced the 10 start-ups, including Kazakhstan-based Islamic digital bank start-up Tayyab, selected for their second cohort, according to a statement.

OAB and Alizz Islamic's share swap credit positive

OMAN: The board's approval from Alizz Islamic Bank of the indicative share swap ratio of 81% for the shareholders of Oman Arab Bank (OAB) and 19% for Alizz Islamic Bank shareholders is a significant step forward in the merger process and a credit positive development for OAB, Moody's Investors Service said in a statement.

ASBB launches special financing offer

BAHRAIN: Al Salam Bank-Bahrain (ASBB) has launched a special financing offer that gives personal finance applicants a chance to win back their financed amount and property finance applicants a chance to win complete home furnishings, according to a press release.

DIB completes Noor Bank acquisition

UAE: Dubai Islamic Bank (DIB) has completed the acquisition of Noor Bank through a share swap, confirmed a statement. A total of 651.16 million new shares were issued by DIB, bringing its issued share capital to 7.24 billion shares. Noor Bank will be completely integrated into DIB's operations with combined assets of over AED275 billion (US$74.86 billion).

Iraq's ICBI goes public

IRAQ: Islamic Consultant Bank for Investment (ICBI), with capital amounting to IQD150 billion (US$124.81 million), went public on the Iraq Stock Exchange on the 22nd January 2020, according to a bourse filing.

Saudi Aramco still mulls overseas listing

SAUDI ARABIA: Saudi Aramco is still considering listing shares abroad, Arabian Business reported citing Bloomberg TV's interview of Saudi Arabia's Finance Minister Mohammed Al-Jadaan.

AUB yet to receive KFH offer

KUWAIT: Ahli United Bank (AUB) has disclosed in a bourse filing that no official acquisition offer has been made by Kuwait Finance House (KFH). KFH confirmed in a **bourse filing** that it had approved the final exchange ratio between KFH and AUB-Bahrain and will convert AUB's operations to become Shariah compliant following the acquisition.

Isfahan Zinc Smelting Company to launch IPO

IRAN: Isfahan Zinc Smelting Company plans to offer 10% of its shares, which includes 60 million shares of the company, on the Iran Fara Bourse in an IPO, Financial Tribune reported. Investors are required to place orders on prices ranging from IRR13,700 (32 US cents) to IRR14,000 (33 US cents) per share.

RESULTS

Boubyan Bank

KUWAIT: Boubyan Bank has reported a net profit of KWD62.7 million (US$206.01 million) in 2019, a growth of 12% compared with 2018, according to a press release.

KLCC Stapled Group

MALAYSIA: KLCCP Stapled Group has posted the highlights of its 2019 financial year, which include a top-line growth of 1.2% year-on-year, increasing revenue to RM1.4 billion (US$343.63 million) as at the 31st December 2019, according to a statement.

ASSET MANAGEMENT

Al-Maather REIT Fund acquires Al Nokhba

SAUDI ARABIA: Al-Maather REIT Fund has acquired Al Nokhba Educational Schools from a company called Creative Knowledge Company for Educational Purposes for SAR31 million (US$8.26 million), according to a bourse filing. The transaction will be funded through a Shariah compliant credit facility agreement.

The seller, a non-related party, is planning to lease the property for a total value of SAR2.64 million (US$703,410) annually. The 15-year lease will be binding on both parties, starting from the date of ownership transfer to the fund.

SEDCO Capital closes real estate deal

GLOBAL: Shariah compliant SEDCO Capital has partnered with Inovalis Group to acquire the Convergence building in Rueil-Malmaison, the extension of Paris La Defense, which boasts more than 25,000 square meters of office space and is fully let to Danone, according to a press release.

ENBD REIT in final stages of restructuring discussions

UAE: ENBD REIT has disclosed in a bourse filing that it is in the final stages of discussions with the relevant authorities and stakeholders regarding its intention to restructure and review strategy.

Al Rayan Qatar ETF to pay dividends

QATAR: Al Rayan Qatar ETF has disclosed its financial statements for the period from the 1st January 2019 to the 31st December 2019, according to a bourse filing. The statements show a net asset value of QAR522.5 million (US$142.9 million), representing QAR2.32 (US$0.64) per unit.

Al Rayan Qatar ETF is expected to pay dividends during the second quarter of 2020.

BNP Paribas launches new fund

GLOBAL: BNP Paribas Asset Management has launched the BNP Paribas Greater China Equity Syariah USD fund, according to the prospectus as viewed by IFN.

TAKAFUL

CMA to impose fine on SABB Takaful

SAUDI ARABIA: The Saudi Capital Market Authority (CMA) has issued a board resolution to impose a fine of SAR40,000 (US$10,653.8) on SABB Takaful Company for its violation of Paragraph 5 of Article 63 of the Rules on the Offer of Securities and Continuing Obligations. According to a statement, SABB Takaful did not immediately disclose to CMA and the public the resignation of one of its board members.

Arqaam Capital places Saudi Re among preferred picks

SAUDI ARABIA: Arqaam Capital has maintained a 'buy' recommendation on Saudi Reinsurance Company (Saudi Re), placing the sole national reinsurer among its preferred picks in the Saudi insurance sector, according to a press release.

Arqaam has also revised the target price higher to SAR11 (US$2.93) per share based on further improvement in margins and more sustainable investment yields.

RATINGS

VIS finalizes 'AA' rating on Meezan Bank's Sukuk

PAKISTAN: VIS Credit Rating Company has finalized the rating of 'AA' assigned to Meezan Bank's Tier 2 Sukuk issuance, according to a statement. The outlook on the assigned rating is stable.

MARC affirms Bank Muamalat ratings

MALAYSIA: MARC has affirmed its financial institution ratings of 'A/MARC-1' on Bank Muamalat and its 'AIS' rating on the bank's Islamic senior note program (senior Sukuk) of up to RM2 billion (US$491.24 million), confirmed a statement.

RAM reaffirms West Coast Expressway ratings

MALAYSIA: RAM has reaffirmed the ratings on Tranche 1 and Tranche 2 of West Coast Expressway's RM1 billion (US$245.62 million) guaranteed Sukuk Murabahah program (2015/2036) at 'AAA(bg)/Stable' and 'AAA(fg)/Stable' respectively, according to a statement.

Konsortium ProHAWK's IMTN program reaffirmed

MALAYSIA: RAM has reaffirmed the 'AA2/Stable' rating on Konsortium ProHAWK's RM900 million (US$220.91 million) Islamic medium-term note (IMTN) program (2013/2033), premised on the rating agency's expectation that ProHAWK will register a minimum finance service coverage ratio of 1.5 times throughout the tenor of the IMTN, according to a statement.

Maybank Islamic's 'AAA' rating reaffirmed

MALAYSIA: RAM has reaffirmed Maybank Islamic's 'AAA/Stable/P1' financial institution ratings (FIRs) as well as the 'AA1/Stable', 'AAA/Stable/P1' and 'AA3/Stable' ratings on its RM10 billion (US$2.45 billion) subordinated Sukuk Murabahah program (2014/2034), RM10 billion Islamic commercial paper/medium-term note program (2017/2024) and RM10 billion Islamic additional Tier 1 capital securities program (2017/-) respectively, according to a statement.

The reaffirmation of the FIRs reflects RAM's expectation of ready parental support from Malayan Banking (Maybank) in times of need, in view of Maybank Islamic's strategic importance as Maybank's Islamic banking arm.

MOVES

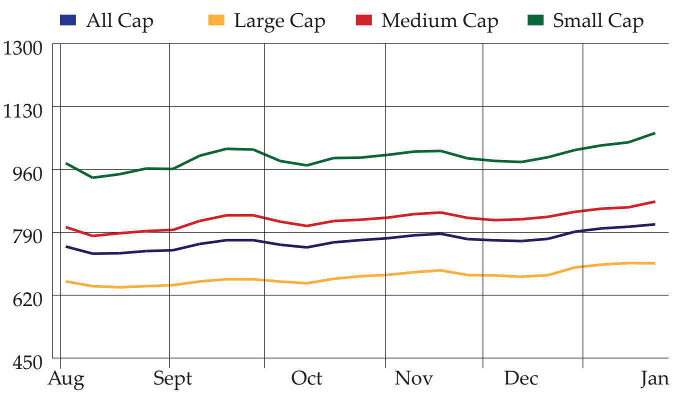
Moody's Investors Service

GLOBAL: Moody's Investors Service has appointed **Brian Cahill** as its global head of environmental, social and governance (ESG). According to a statement, Cahill is currently the group's managing director and regional head of the Asia Pacific corporate finance group and will assume the newly created role from the 1st February 2020.

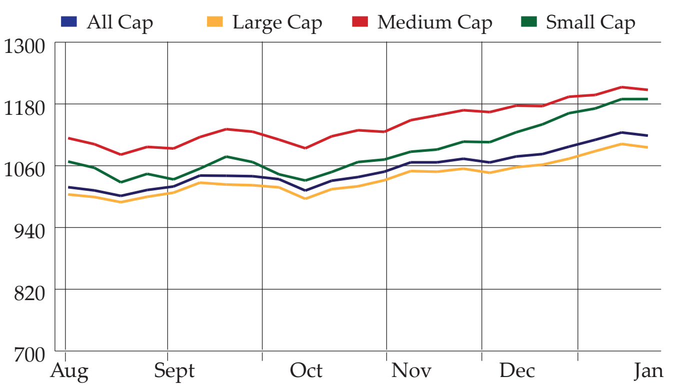
Expected date	Company/country	Size	Structure	Announcement Date
TBA	Al-Arafah Islami Bank (Bangladesh)	BDT5 billion	Sukuk Mudarabah	28th January 2020
TBA	Top Glove Corporation	TBA	Sukuk	24th January 2020
2020	Indonesia	IDR27.35 trillion	Sukuk	24th January 2020
2020	Saudi Arabia	US$4 billion	Sukuk	23rd January 2020
March 2020	Iran	IRR47 trillion	Sukuk Manfa'at	23rd January 2020
TBA	Niger State (Nigeria)	NGN20 billion	Sukuk program	22nd January 2020
April 2020	Talaat Moustafa Group	TBA	Sukuk	21st January 2020
TBA	Gulf Navigation Holding	AED125 million	Sukuk	17th January 2020
TBA	Islamic Finance and Investment	BDT3 billion	Sukuk Mudarabah	8th January 2020
TBA	Arabian Centres Company	US$1.9 billion	Sukuk Ijarah and Murabahah	8th January 2020
2020 - 2021	Iran	IRR1.09 quadrillion	Sukuk	7th January 2020
TBA	Penang Port	RM1 billion	Sukuk	20th December 2019
TBA	Exsim Ventures	RM35 million	Sukuk Murabahah	20th December 2019
TBA	Exsim Ventures	RM68 million	Sukuk Musharakah	20th December 2019
TBA	Tanjung Pinang Development	RM1.5 billion	Sukuk Murabahah	20th December 2019
TBA	Aeon Credit Service	RM2 billion	Sukuk program	18th December 2019
TBA	Ministry of Economy (Iran)	IRR40 trillion	Sukuk	13th December 2019
TBA	BankIslami Pakistan	PKR2 billion	Tier-1 capital Sukuk	11th December 2019
TBA	Arab Company for Project and Urban Development	EGP2 billion	Sukuk	10th December 2019
TBA	Government of Khyber Pakhtunkhwa (Pakistan)	PKR250 billion	Sukuk	10th December 2019
TBA	Ministry of Finance (Pakistan)	TBA	Sukuk Ijarah	10th December 2019
January 2020	CIAF Leasing	US$50 million	Sukuk	4th December 2019
TBA	MEX I Capital	RM2.1 billion	Subordinated Sukuk program	2nd December 2019
TBA	MEX I Capital	RM1.23 billion	Islamic medium-term note program	2nd December 2019
February or March 2020	CIMB Niaga	IDR1 trillion	Sukuk Mudarabah	26th November 2019
29th January 2020	Central Bank of Mauritania	MRU400 million	Islamic treasury bills	25th November 2019
TBA	Tenaga Nasional (TNB)	RM10 billion	Sukuk program	22nd November 2019
TBA	Malaysia Building Society	TBA	Sukuk Wakalah	21st November 2019
TBA	Iran	IRR3 trillion	Sukuk Ijarah	13th November 2019
TBA	Al Baraka Bank (South Africa)	ZAR400 million	Sukuk	12th November 2019
TBA	DRB-HICOM	RM3.5 billion	Sukuk Wakalah	5th November 2019
TBA	Zamarad Assets	T3 Class A: RM100 million; Class B: RM20 million	Sukuk	25th October 2019
TBA	Boubyan Bank	US$500 million	Sukuk	22nd October 2019
TBA	Iran	IRR100 trillion	Sukuk Manfaat	21st October 2019
TBA	Mines and Metals Development Investment Company (Iran)	IRR7.5 trillion	Sukuk	14th October 2019
2020	Uzbekistan	TBA	Sukuk	9th October 2019
TBA	Kuwait International Bank	US$2 billion	Sukuk	24th September 2019
TBA	Iranian Ministry of Economy	IRR380 trillion	Sukuk	24th September 2019
TBA	Perkebunan Nusantara III	TBA	Sukuk	23rd September 2019
2020	Saudi Real Estate Refinance Company (SRC)	SAR750 million	Sukuk	20th September 2019
TBA	Bataan, Philippines	TBA	Sukuk	17th September 2019
TBA	Pakistan	US$1 billion	Medium-Term Note	16th September 2019

REDMONEY SHARIAH INDEXES

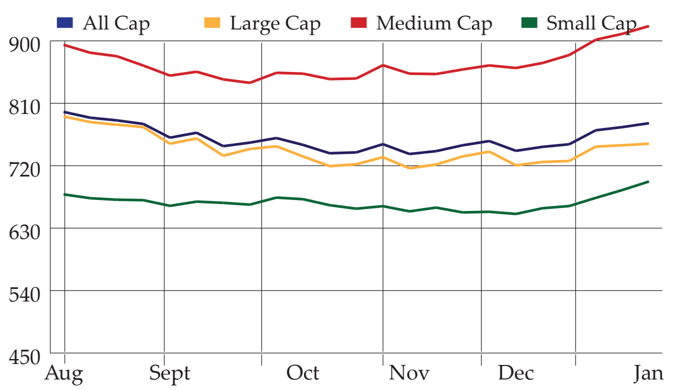
REDmoney Asia ex. Japan *6 Months*



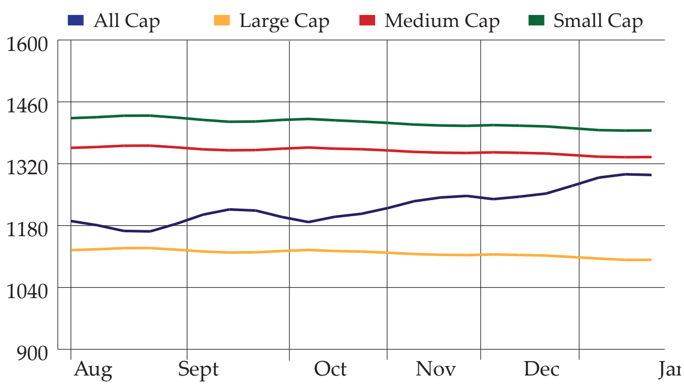
REDmoney Europe *6 Months*



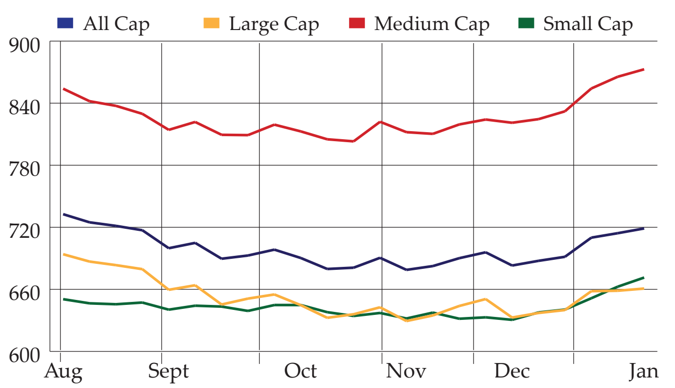
REDmoney GCC *6 Months*



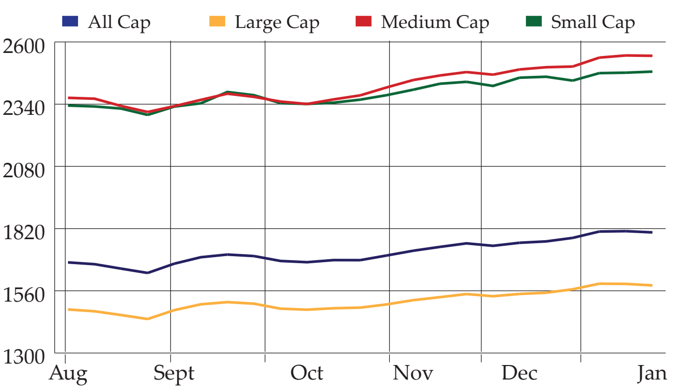
REDmoney Global *6 Months*



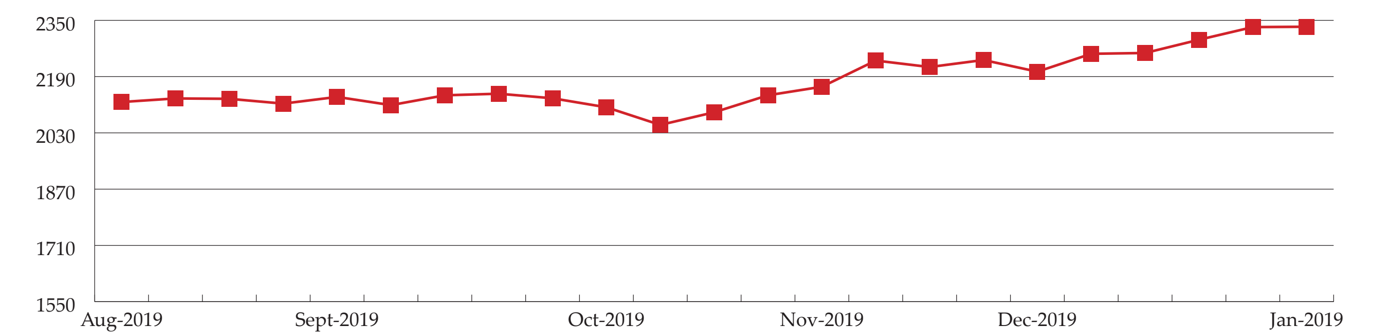
REDmoney MENA *6 Months*



REDmoney US *6 Months*

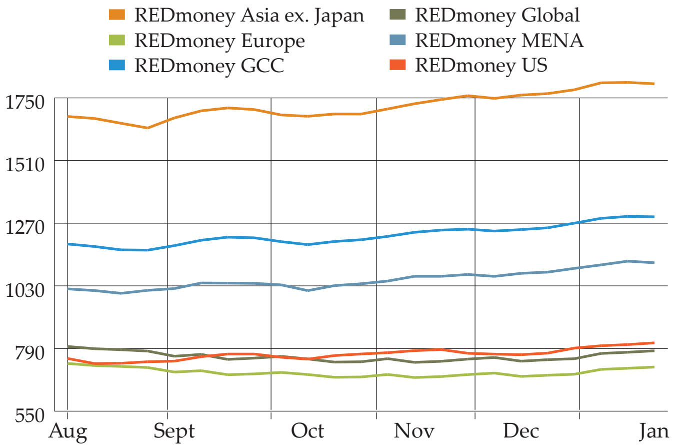


SAMI Halal Food Participation (All Cap) *6 months*

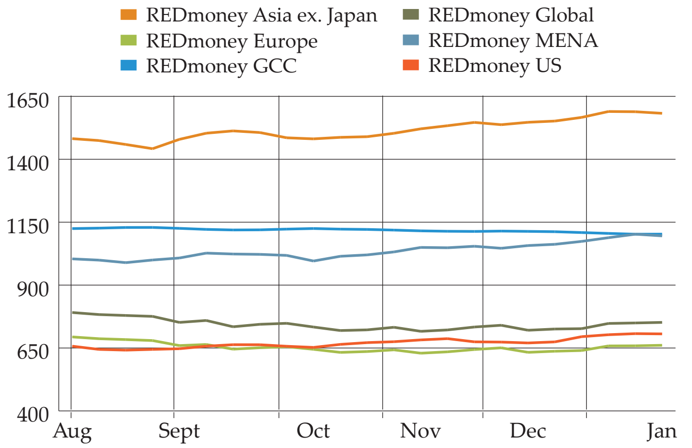


REDMONEY SHARIAH INDEXES

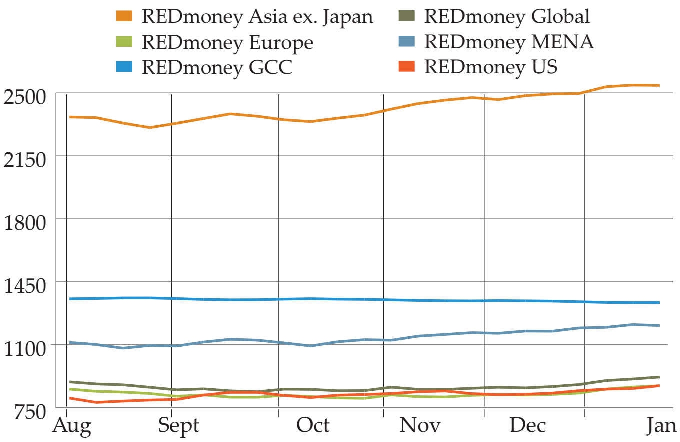
REDmoney Global Shariah Index Series (All Cap) *6 Months*



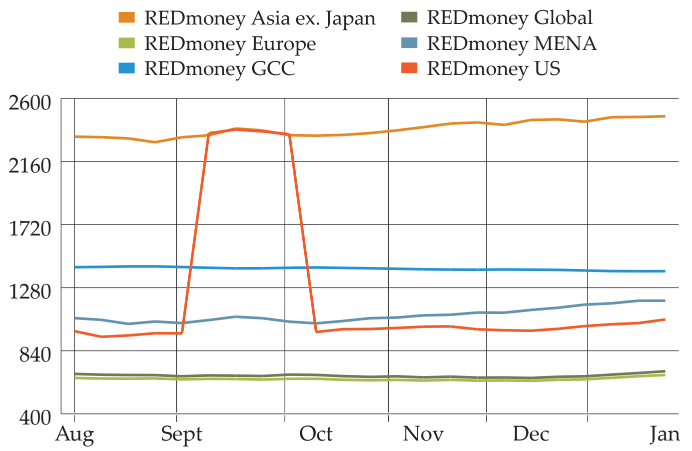
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



REDmoney Global Shariah Index Series (Medium Cap) *6 Months*



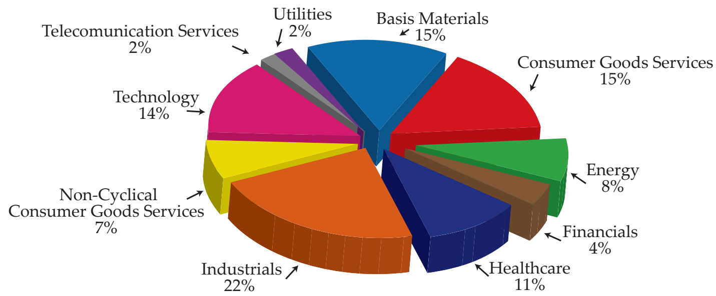
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

Once the index eligible universe is determined the underlying constituents are screened using a set of business and financial Shariah guidelines.



The REDmoney Global Shariah Index Series powered by IdealRatings consists of a rich subset of global listed equities that adhere to clearly defined and transparent Shariah guidelines defined by Shariyah Review Bureau in Jeddah, Saudi Arabia.

The REDmoney Shariah Indexes provides Islamic investors with an accurate and Shariah-specific equity performance benchmark with optimized compliance credibility due to the intensive research conducted to ensure that index constituents do not conflict with the defined Shariah requirements.

IdealRatings™ is the leading provider of Shariah investment decision support tools to investors globally, including asset managers, brokers, index providers, and banks to empower them to develop, manage and monitor Shariah investment products and Shariah compliant funds. IdealRatings is headquartered in San Francisco, California. For more information about IdealRatings visit: www.idealratings.com

REDmoney Global Shariah Index Series

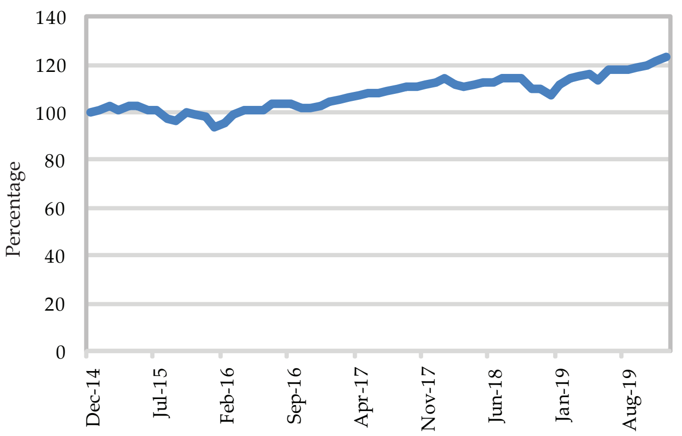
REDmoney Indexes IdealRatings®

For further information regarding REDmoney Indexes contact:

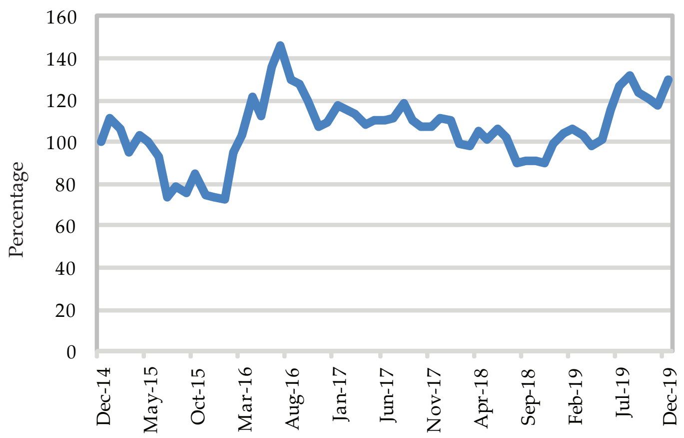
Andrew Morgan
Managing Director, REDmoney Group

Email: Andrew.Morgan@REDmoneygroup.com
Tel +603 2162 7800

Eurekahedge Global Islamic Fund Index



Eurekahedge Islamic Fund Gold Index



Top 10 Monthly Returns for Developed Market Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	10.45	Ireland
2	QInvest JOHCM Sharia'a	J O Hambro Capital Management	5.13	Cayman Islands
3	Oasis Crescent Global Equity	Oasis Global Management Company (Ireland)	3.79	Ireland
4	AlAhli Healthcare Trading Equity	NCB Capital	3.52	Saudi Arabia
5	iShares MSCI World Islamic UCITS ETF	BlackRock Advisors (UK)	3.51	Ireland
6	Amana Income Fund Investor	Saturna Capital	3.48	US
7	iShares MSCI USA Islamic UCITS ETF	BlackRock Advisors (UK)	3.39	Ireland
8	Amana Growth Fund Investor	Saturna Capital	3.31	US
9	Iman - Class B	Allied Asset Advisors	3.13	US
10	WSF Global Equity - USD I	Cogent Asset Management	3.09	Guernsey
	Eurekahedge Islamic Fund Index		**2.04**	

Based on 70% of funds which have reported December 2019 returns as at the 27th January 2020

Top 10 Monthly Returns for Emerging Market Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Jadwa Saudi Equity - ClassB	Jadwa Investment	9.59	Saudi Arabia
2	FALCOM Saudi Equity	FALCOM Financial Services	9.49	Saudi Arabia
3	AlAhli Saudi Small and Mid-Cap Equity	NCB Capital	9.06	Saudi Arabia
4	Saudi Companies	The Saudi Investment Bank	8.40	Saudi Arabia
5	Osool & Bakheet Saudi Trading Equity	Bakheet Investment Group	8.38	Saudi Arabia
6	Hang Seng Islamic China Index	Hang Seng Investment Management	7.93	Hong Kong
7	iShares MSCI Emerging Markets Islamic UCITS ETF	BlackRock Advisors (UK)	7.66	Ireland
8	Al Qasr GCC Real Estate & Construction Equity Trading	Banque Saudi Fransi	7.25	Saudi Arabia
9	Jadwa GCC Equity	Jadwa Investment	7.04	Saudi Arabia
10	HSBC Saudi Companies Equity - ASF	HSBC Saudi Arabia	7.03	Saudi Arabia
	Eurekahedge Islamic Fund Index		**2.51**	

Based on 67.39% of funds which have reported December 2019 returns as at the 27th January 2020

Top Annualized Returns for Islamic Gold Funds

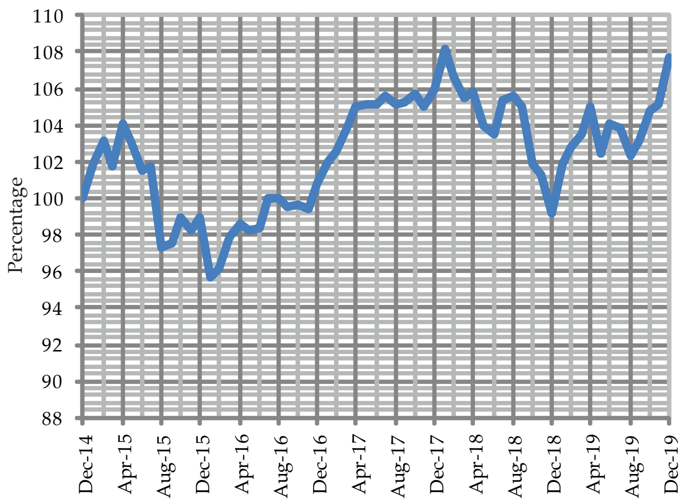
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	-3.31	Ireland
	Eurekahedge Islamic Fund Index		**5.40**	

Based on 33.33% of funds which have reported December 2019 returns as at the 27th January 2020

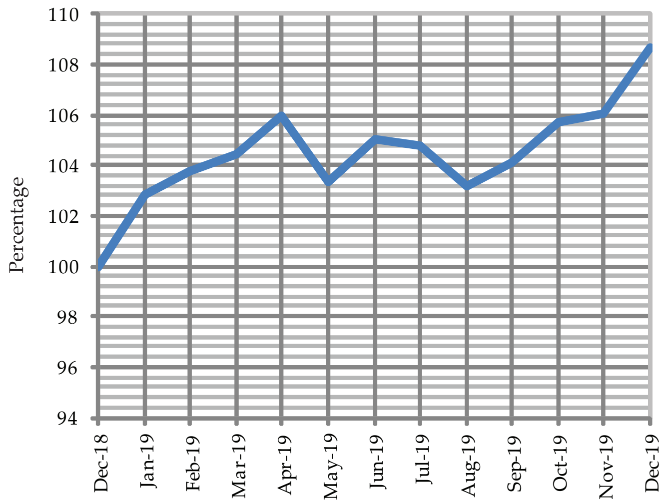
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, global investing (which would focus on funds investing with global mandate instead of a specific country or geographical region), fund of funds, real estate as well as the Sortino ratio. Each table covering the duration, region, asset class and ratio will be featured on a five-week rotational basis.

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Fixed Income Index over the last 5 years



Eurekahedge Islamic Fund Fixed Income Index over the last 1 year



Top 10 Funds of Islamic Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AlAhli Multi-Asset Growth	NCB Capital	7.15	Saudi Arabia
2	AlAhli Multi-Asset Moderate	NCB Capital	5.16	Saudi Arabia
3	AlAhli Multi-Asset Conservative	NCB Capital	3.59	Saudi Arabia
4	Oasis Crescent Balanced Progressive Fund of Funds	Oasis Crescent Management	3.20	South Africa
5	Boubyan Multi Asset Holding	Boubyan Capital Investment	2.92	Kuwait
	Eurekahedge Islamic Fund Index		**4.40**	

Based on 100% of funds which have reported December 2019 returns as at the 27th January 2020

Top 10 Sharpe Ratios for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AlAhli Healthcare Trading Equity	NCB Capital	12.36	Saudi Arabia
2	Oasis Crescent Global Equity	Oasis Global Management Company (Ireland)	9.84	Ireland
3	Amana Income Fund Investor	Saturna Capital	9.52	US
4	QInvest JOHCM Sharia'a	J O Hambro Capital Management	8.76	Cayman Islands
5	Amana Growth Fund Investor	Saturna Capital	8.54	US
6	AmOasis Global Islamic Equity	AmInvestment Management	8.38	Malaysia
7	iShares MSCI World Islamic UCITS ETF	BlackRock Advisors (UK)	8.13	Ireland
8	BNP Paribas Islamic Fund Equity Optimiser - Classic (USD)	BNP Paribas Asset Management France	7.77	Luxembourg
9	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	7.63	Ireland
10	WSF Global Equity - USD I	Cogent Asset Management	7.48	Guernsey
	Eurekahedge Islamic Fund Index		**4.31**	

Based on 84.21% of funds which have reported December 2019 returns as at the 27th January 2020

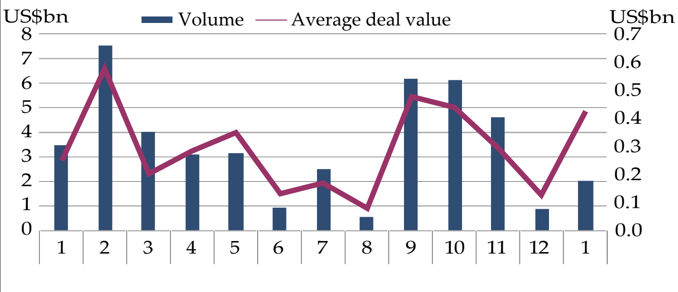
Contact Eurekahedge
To list your fund or update your fund information: islamicfunds@eurekahedge.com
For further details on Eurekahedge: information@eurekahedge.com Tel: +65 6212 0900

EUREKAHEDGE

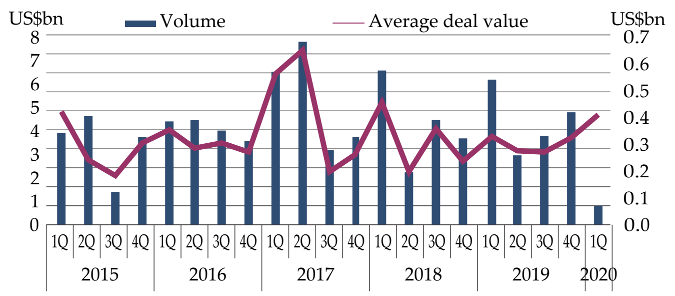
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
20-Jan-20	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	650	Standard Chartered Bank
14-Jan-20	First Abu Dhabi Bank	UAE	Sukuk	Euro market public issue	500	Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, Islamic Development Bank, Kuwait Finance House, Kuwait Projects (Holding), Saudi National Commercial Bank, Sharjah Islamic Bank, Standard Chartered Bank
14-Jan-20	Bahrain Mumtalakat Holding	Bahrain	Sukuk	Euro market public issue	500	Citigroup, Gulf International Bank, HSBC, Kuwait Finance House, National Bank of Bahrain, Standard Chartered Bank
9-Jan-20	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market private placement	334	Natixis
19-Dec-19	Permodalan Nasional	Malaysia	Sukuk	Domestic market public issue	105	Permodalan Nasional, RHB Bank
18-Dec-19	Ahmad Zaki Resources	Malaysia	Sukuk	Domestic market public issue	129	Maybank
11-Dec-19	Employees Provident Fund	Malaysia	Sukuk	Domestic market public issue	347	AmInvestment Bank, RHB Bank
5-Dec-19	Serba Dinamik Holdings	Malaysia	Sukuk	Euro market public issue	200	Credit Suisse, HSBC, Standard Chartered Bank
28-Nov-19	DRB-HICOM	Malaysia	Sukuk	Domestic market public issue	359	Maybank, RHB Bank
27-Nov-19	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market public issue	1,102	Citigroup, First Abu Dhabi Bank, HSBC, LBBW, Natixis, SG Corporate & Investment Banking, Standard Chartered Bank, Warba Bank
20-Nov-19	Cagamas	Malaysia	Sukuk	Domestic market public issue	115	CIMB Group
19-Nov-19	Arabian Centres	Saudi Arabia	Sukuk	Euro market public issue	500	Credit Suisse, Emirates NBD, Goldman Sachs, HSBC, Mashreqbank, Samba Capital, Warba Bank
19-Nov-19	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	671	Affin Hwang Capital, AmInvestment Bank, CIMB Group, Maybank, RHB Bank
14-Nov-19	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	750	Arab Banking, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Islamic Development Bank, Maybank, Sharjah Islamic Bank, Standard Chartered Bank, Warba Bank
13-Nov-19	Qatar International Islamic Bank	Qatar	Sukuk	Euro market public issue	300	Al Khalij Commercial Bank, Barwa Bank, Kuwait International Bank, QInvest, QNB Capital, Standard Chartered Bank
11-Nov-19	Gamuda	Malaysia	Sukuk	Domestic market public issue	121	CIMB Group
5-Nov-19	Masraf Al Rayan	Qatar	Sukuk	Euro market public issue	500	Masraf Al Rayan, MUFG, National Bank of Kuwait, QNB Capital, Standard Chartered Bank
23-Oct-19	Majid Al Futtaim Capital	UAE	Sukuk	Euro market public issue	600	Abu Dhabi Islamic Bank, BNP Paribas, Citigroup, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC
23-Oct-19	First Abu Dhabi Bank	UAE	Sukuk	Euro market public issue	225	Dubai Islamic Bank, First Abu Dhabi Bank, Kuwait Finance House, Standard Chartered Bank
22-Oct-19	Saudi Arabia	Saudi Arabia	Sukuk	Euro market public issue	2,500	JPMorgan, Standard Chartered Bank

Global Sukuk Volume by Month (billion)



Global Sukuk Volume by Quarter (billion)

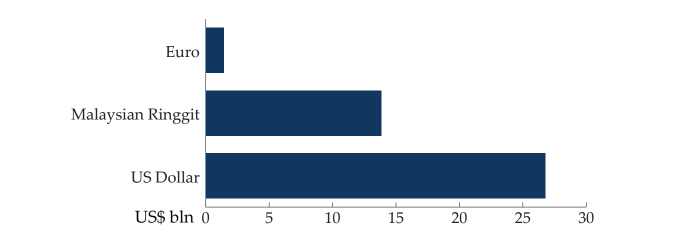


Top 30 Issuers of Global Sukuk					*12 Months*
Issuer	**Nationality**	**Market**	**US$ (mln)**	**Tranches**	**Managers**
Saudi Arabia	Saudi Arabia	Euro market public issue	2,500	1	JPMorgan, Standard Chartered Bank
Turkey	Turkey	Euro market public issue	2,000	1	Citigroup, KFH, Standard Chartered Bank
Indonesia	Indonesia	Euro market public issue	2,000	2	Deutsche Bank, Dubai Islamic Bank, HSBC, Mandiri Sekuritas, Maybank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,500	1	Credit Agricole, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank, HSBC, JPMorgan, Natixis, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,500	1	Citigroup, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank, HSBC, LBBW, RHB Bank, SG Corporate & Investment Banking, Standard Chartered Bank
Saudi Telecom	Saudi Arabia	Euro market public issue	1,250	1	First Abu Dhabi Bank, HSBC, JPMorgan, Kuwait Finance House, Samba Capital, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,102	1	Citigroup, First Abu Dhabi Bank, HSBC, LBBW, Natixis, SG Corporate & Investment Banking, Standard Chartered Bank, Warba Bank
Sharjah	UAE	Euro market public issue	1,000	1	Arab Banking Corporation, Dubai Islamic Bank, HSBC, Kuwait Finance House, Sharjah Islamic Bank, Standard Chartered Bank
Dubai World	UAE	Euro market public issue	1,000	1	Barclays, Citigroup, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Standard Chartered Bank
Bahrain	Bahrain	Euro market public issue	1,000	1	BNP Paribas, Citigroup, Gulf International Bank, JPMorgan, National Bank of Bahrain, Standard Chartered Bank
DanaInfra Nasional	Malaysia	Domestic market public issue	935	6	AmInvestment Bank, CIMB Group, HSBC, Maybank, RHB Bank
Qatar Islamic Bank	Qatar	Euro market public issue	750	1	Barclays, Barwa Bank, Credit Agricole, National Bank of Kuwait, QInvest, QNB Capital, Standard Chartered Bank
Sharjah	UAE	Euro market public issue	750	1	Dubai Islamic Bank, Emirates NBD, HSBC, Sharjah Islamic Bank, Standard Chartered Bank
Dubai Islamic Bank	UAE	Euro market public issue	750	1	Arab Banking, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Islamic Development Bank, Maybank, Sharjah Islamic Bank, Standard Chartered Bank, Warba Bank
Perbadanan Tabung Pendidikan Tinggi Nasional	Malaysia	Domestic market public issue	736	3	Bank Islam Malaysia, Maybank
Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Domestic market public issue	734	6	AmInvestment Bank, CIMB Group, Maybank RHB Bank
DanaInfra Nasional	Malaysia	Domestic market public issue	725	6	AmInvestment Bank, Bank Islam Malaysia, CIMB Group, Kenanga Investment Bank, Maybank, RHB Bank
Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Domestic market public issue	720	3	Maybank
DanaInfra Nasional	Malaysia	Domestic market public issue	671	6	Affin Hwang Capital, AmInvestment Bank, CIMB Group, Maybank, RHB Bank
Qatar Islamic Bank	Qatar	Euro market public issue	650	1	Standard Chartered Bank
Bahrain Mumtalakat Holding	Bahrain	Euro market public issue	600	1	BNP Paribas, Citigroup, HSBC, National Bank of Bahrain, Standard Chartered Bank
Majid Al Futtaim Capital	UAE	Euro market public issue	600	1	Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank, HSBC, Standard Chartered Bank
Emirates Strategic Investments Sole Proprietorship	UAE	Euro market public issue	600	1	Arab Banking, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, National Bank of Bahrain, Standard Chartered Bank, Warba Bank
Dar Al-Arkan Real Estate Development	Saudi Arabia	Euro market public issue	600	1	Alkhair Capital (Dubai), Deutsche Bank, Dubai Islamic Bank, Emirates NBD, Goldman Sachs, Nomura, Noor Bank, Standard Chartered Bank, Warba Bank
Majid Al Futtaim Capital	UAE	Euro market public issue	600	1	Abu Dhabi Islamic Bank, BNP Paribas, Citigroup, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC
DanaInfra Nasional	Malaysia	Domestic market public issue	593	6	AmInvestment Bank, Bank Islam Malaysia, CIMB Group, Kenanga Investment Bank, Maybank, RHB Bank
Qatar International Islamic Bank	Qatar	Euro market public issue	500	1	Al Khalij Commercial Bank, Barclays, Barwa Bank, Maybank, National Bank of Kuwait, QNB Capital, Standard Chartered Bank
Almarai	Saudi Arabia	Euro market public issue	500	1	First Abu Dhabi Bank, Gulf International Bank, HSBC, JPMorgan, Standard Chartered Bank
Sharjah Islamic Bank	UAE	Euro market public issue	500	1	Abu Dhabi Islamic Bank, Arab Banking, Citigroup, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Kuwait Finance House, Standard Chartered Bank
Emaar Properties	UAE	Euro market public issue	500	1	Deutsche Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, Mashreqbank, Sharjah Islamic Bank, Standard Chartered Bank

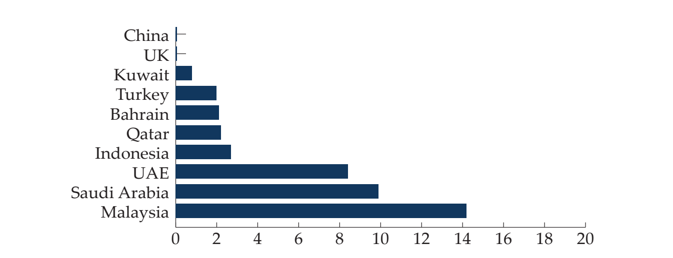
Top Global Islamic Bookrunners *12 Months*

	Bookrunner Parents	US$ (mln)	Iss	%
1	Maybank	5,200	45	12.13
2	Standard Chartered Bank	5,093	36	11.88
3	CIMB Group	3,375	44	7.87
4	HSBC	2,871	24	6.70
5	RHB Bank	2,251	28	5.25
6	AmInvestment Bank	1,845	29	4.30
7	Dubai Islamic Bank	1,832	18	4.27
8	First Abu Dhabi Bank	1,697	18	3.96
9	Citigroup	1,695	11	3.95
10	JPMorgan	1,541	6	3.59
11	Emirates NBD	1,444	16	3.37
12	Kuwait Finance House	1,385	9	3.23
13	Bank Al-Jazira	833	1	1.94
14	Gulf International Bank	789	6	1.84
15	Deutsche Bank	756	6	1.76
16	Natixis	659	3	1.54
17	Bank Islam Malaysia	588	3	1.37
18	Sharjah Islamic Bank	580	6	1.35
19	Mandiri Sekuritas	547	15	1.28
20	Kenanga Investment Bank	468	7	1.09
21	National Bank of Bahrain	455	4	1.06
22	Arab Banking Corporation	440	5	1.03
23	Warba Bank	436	5	1.02
24	BNP Paribas	435	4	1.01
25	QNB Capital	391	5	0.91
26	SG Corporate & Investment Banking	350	3	0.82
27	Barclays	348	4	0.81
28	Abu Dhabi Islamic Bank	346	5	0.81
29	National Bank of Kuwait	341	4	0.80
30	LBBW	304	2	0.71

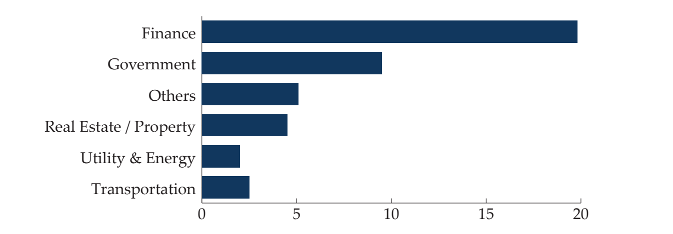
Sukuk Volume by Currency US$ (billion) *12 Months*



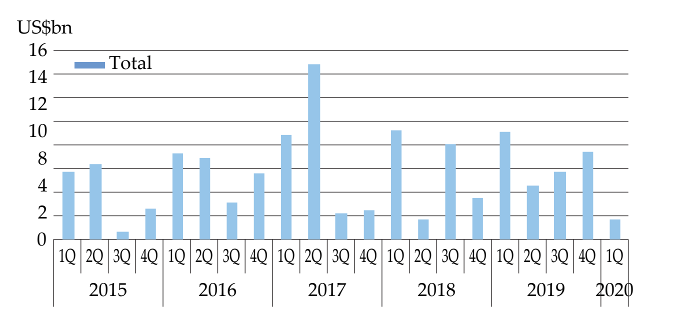
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis (billion)



Top Islamic Finance Related Project Financing Legal Advisors
12 Months

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	3,707	4	23.40
2	Linklaters	2,243	2	14.16
3	Latham & Watkins	1,418	2	8.95
4	Clifford Chance	1,349	2	8.51
5	Al Busaidy Mansoor Jamal & Co	768	1	4.85
5	International Counsel Bureau	768	1	4.85
5	Loyens & Loeff	768	1	4.85
5	Salans FMC SNR Denton Group	768	1	4.85
9	Goksu Safi Isik Attorney Partnership	699	1	4.41
9	Shearman & Sterling	699	1	4.41
9	Verdi Avukatlik Ortakligi	699	1	4.41

Top Islamic Finance Related Project Finance Mandated Lead Arrangers *12 Months*

	Mandated Lead Arranger	US$ (million)	No	%
1	BNP Paribas	672	3	5.02
2	Standard Chartered Bank	666	4	4.97
3	NATIXIS	663	3	4.95
4	HSBC	627	3	4.68
5	SG Corporate & Investment Banking	602	3	4.50
6	Credit Agricole Corporate & Investment Bank	602	3	4.50
7	Credit Suisse	536	2	4.00
8	Banco Santander	536	2	4.00
9	Ahli United Bank	487	3	3.64
10	Kuwait Finance House	439	4	3.28

DEALOGIC LEAGUE TABLES

Top Islamic Finance Related Financing Mandated Lead Arrangers *12 Months*

	Mandated Lead Arranger	US$ (mln)	No	%
1	Dubai Islamic Bank	1,328	11	7
2	Emirates NBD	1,203	12	6
3	HSBC	1,104	6	6
4	Samba Capital	1,092	4	6
5	Saudi Fransi Capital	998	4	5
6	Saudi National Commercial Bank	958	4	5
7	Al Rajhi Capital	868	5	5
8	Arab National Bank	675	1	4
9	First Abu Dhabi Bank	634	7	3
10	Kuwait Finance House	504	2	3
11	Albaraka Banking Group	444	1	2
11	Bank of China	444	1	2
11	Garanti	444	1	2
11	Industrial & Commercial Bank of China	444	1	2
11	IS Investment	444	1	2
11	QNB Capital	444	1	2
11	Ziraat Bankasi	444	1	2
11	Turkiye Halk Bankasi - Halkbank	444	1	2
11	Turkiye Vakiflar Bankasi - VakifBank	444	1	2
20	Mashreqbank	441	7	2
21	Standard Chartered Bank	409	5	2
22	Abu Dhabi Commercial Bank	339	2	2
23	Riyad Bank	281	3	1
24	BNP Paribas	265	2	1
25	Albilad Capital	222	2	1
26	Abu Dhabi Islamic Bank	215	3	1
27	Citigroup	215	1	1
27	Credit Agricole	215	1	1
27	Export Development Canada	215	1	1
27	ING	215	1	1

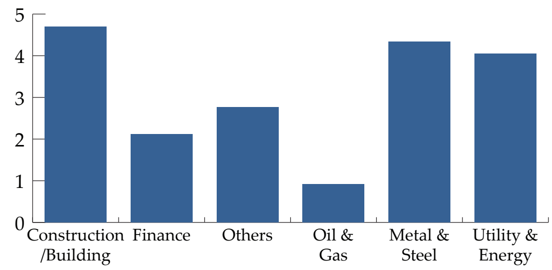
Top Islamic Finance Related Financing Bookrunners *12 Months*

	Bookrunner	US$ (mln)	No	%
1	Emirates NBD	1,013	9	13
2	First Abu Dhabi Bank	576	5	7
3	Dubai Islamic Bank	547	6	7
4	Standard Chartered Bank	433	4	5
5	Mashreqbank	401	5	5
6	Samba Capital	346	2	4
7	HSBC	336	3	4
8	BNP Paribas	315	2	4
9	Arab Banking Corporation	303	1	4
9	Gulf International Bank	303	1	4

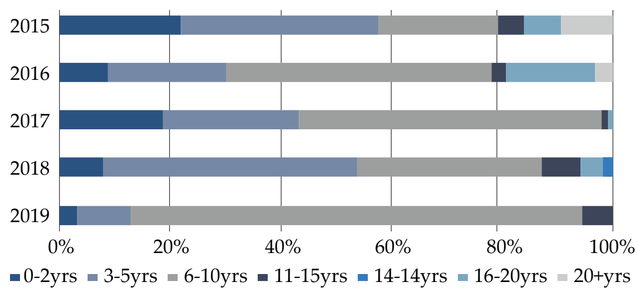
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
28-Jan-19	Emirates Global Aluminium	UAE	6,545
16-Sep-19	Avrupa Otoyolu Yatirim ve Isletme KMO Anadolu Otoyolu Yatirim ve Isletme	Turkey	4,435
20-Feb-19	Saudi Electricity	Saudi Arabia	4,053
5-Dec-19	SATORP	Saudi Arabia	2,245
29-Oct-19	Aluminium Bahrain	Bahrain	1,500
25-Oct-19	ICD	UAE	1,200
9-Dec-19	Merex Investment Group	UAE	660
26-Feb-19	Allana International	UAE	600
24-Jun-19	Sahara & Ma'aden Petrochemical	Saudi Arabia	600
26-Jun-19	Dubai Holding	UAE	544

Top Islamic Finance Related Financing by Sector *12 Months*



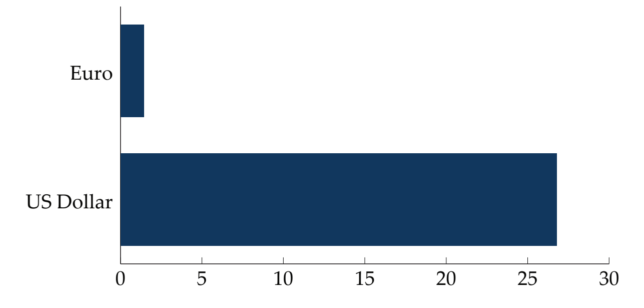
Global Islamic Financing - Years to Maturity (YTD Comparison)



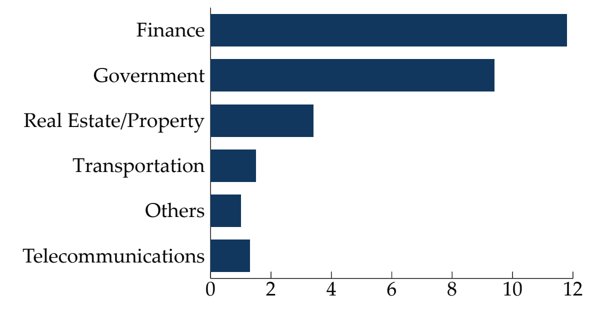
DEALOGIC LEAGUE TABLES

Top Global International Sukuk Managers	*12 Months*			
	Bookrunner	**US$ (mln)**	**No**	**%**
1	Standard Chartered Bank	4,995	32	17.70
2	HSBC	2,535	20	8.98
3	Dubai Islamic Bank	1,832	18	6.49
4	First Abu Dhabi Bank	1,697	18	6.01
5	Citigroup	1,695	11	6.01
6	JPMorgan	1,541	6	5.46
7	Emirates NBD	1,444	16	5.12
8	Kuwait Finance House	1,336	8	4.73
9	Bank Al-Jazira	833	1	2.95
10	Gulf International Bank	789	6	2.80
11	Deutsche Bank	756	6	2.68
12	Natixis	659	3	2.34
13	Sharjah Islamic Bank	580	6	2.06
14	Maybank	546	3	1.94
15	National Bank of Bahrain	455	4	1.61
16	Arab Banking Corporation	440	5	1.56
17	Warba Bank	436	5	1.54
18	BNP Paribas	435	4	1.54
19	Mandiri Sekuritas	400	1	1.42
20	QNB Capital	391	5	1.39
21	SG Corporate & Investment Banking	350	3	1.24
22	Barclays	348	4	1.23
23	Abu Dhabi Islamic Bank	346	5	1.23
24	National Bank of Kuwait	341	4	1.21
25	LBBW	304	2	1.08
26	Credit Agricole	295	2	1.04
27	Credit Suisse	288	3	1.02
28	Samba Capital	280	2	0.99
29	Barwa Bank	229	3	0.81
30	RHB Bank	167	1	0.59

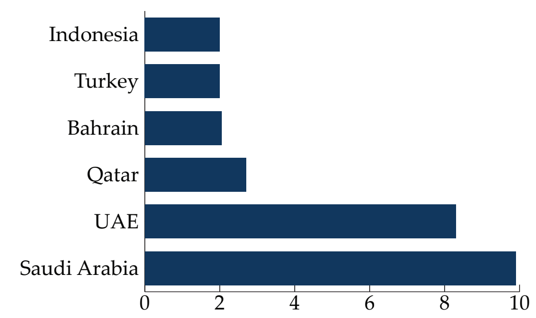
International Sukuk Volume by Currency US$ (billion)
12 Months



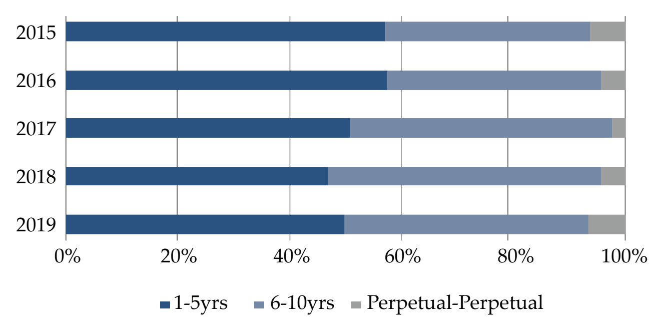
International Sukuk Volume by Sector US$ (billion)
12 Months



International Sukuk Volume by Issuer Nation US$ (billion)
12 Months



International Sukuk Years to Maturity



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Mimi Lee (Media Relations)
Email: mimi.lee@dealogic.com Tel: +852 3698 4715

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FEBRUARY 2020		
19th	IFN Fintech Pitch Day	Kuala Lumpur
MARCH 2020		
8th	IFN World Leaders Summit	Dubai
8th	IFN FinTech Pitches	Dubai
8th	IFN FinTech Awards	Dubai
8th	IFN Dubai Awards Dinner	Dubai
8th	IFN iNNOVATE MENA	Dubai
10th	IFN Oman Forum	Oman
18th	IFN Australia Forum	Sydney
APRIL 2020		
6th – 7th	IFN Asia Forum	Kuala Lumpur
6th	IFN Asia Awards Dinner	Kuala Lumpur
13th	IFN Saudi Dialogues	Riyadh

JUNE 2020		
3rd	IFN Nigeria Forum & Dialogue	Lagos
5th	IFN WAMU Forum & Dialogue	Abidjan
8th	IFN Kenya Forum & Dialogue	Nairobi
10th	IFN South Africa Forum & Dialogue	Cape Town
JULY 2020		
13th	IFN iNNOVATE Asia	Kuala Lumpur
AUGUST 2020		
24th	IFN Halal Financing Forum	Kuala Lumpur
26th	IFN Indonesia Forum	Jakarta
27th	IFN Singapore Forum	Singapore
SEPTEMBER 2020		
1st	IFN UK	London
7th	IFN Turkey Forum	Istanbul

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Managing Editor Vineeta Tan
vineeta.tan@REDmoneygroup.com

Contributing Editor Lauren McAughtry
lauren.mcaughtry@REDmoneygroup.com

Senior Contributions Editor Sasikala Thiagaraja
sasikala.thiagaraja@REDmoneygroup.com

Senior Copy Editor Kenny Ng
kenny.ng@REDmoneygroup.com

News Editor Nessreen Tamano
nessreen.tamano@REDmoneygroup.com

Senior Journalist & Multimedia Editor Marc Roussot
marc.roussot@redmoneygroup.com

Head of Production Hasnani Aspari
hasnani.aspari@REDmoneygroup.com

Senior Production Manager Norzabidi Abdullah
zabidi.abdullah@REDmoneygroup.com

Senior Graphic Designer Eumir Shazwan Kamal Bahrin
eumir.shazwan@REDmoneygroup.com

Head of Finance & Administration Hamiza Hamzah
hamiza.hamzah@REDmoneygroup.com

Managing Director Andrew Tebbutt
andrew.tebbutt@REDmoneygroup.com

Managing Director & Publisher Andrew Morgan
andrew.morgan@REDmoneygroup.com

Published By: REDmoney

MALAYSIA
Suite 22-06, 22nd Floor
Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel: +603 2162 7800
Fax: +603 2162 7810

UAE
PO Box 126732, 3rd Floor,
X2 Tower, Jumeirah Lake
Tower (JLT), Jumeirah Bay,
Dubai, UAE

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