Islamic Finance news

A REDmoney Product

Vol. 6, Issue 35 4th September 2009

The World's Global Islamic Finance News Provider

Looking pretty good Sukuk

Many reports have been published on the state of the Sukuk market since the global economic crisis, portraying a bleak future. By late last year, most market players in the industry agreed that Sukuk issuances were almost at a standstill.

Sukuk defaults have not helped to forward the Islamic bond market. However, Standard & Poor's credit analyst Mohamed Damak said that "although the defaults influenced the slowdown of Sukuk issuances, they inadvertently provided the market with useful information on how Sukuk will behave following a default".

In its latest report, Standard & Poor's Rating Services revealed that new Sukuk issuances had dropped to over US$9 billion in the first seven months of the year compared with US$11.1 billion during the same period last year.

Still, the Sukuk market did show signs of recovery in April with Indonesia's Global Sukuk of US$650 million, making it the largest dollar-denominated Sukuk outside the GCC. It was also the first benchmark for a dollar-denominated Sukuk in Asia since 2007. This sovereign Sukuk whetted investors' appetites, judging by the oversubscription of seven times to the tune of US$3 billion.

Malaysia followed suit, overtaking the most populous Muslim country when the central bank, Bank Negara Malaysia, issued its US$2.5 billion Retail Saving Sukuk, a savings investment scheme for the public. This was followed by its Terengganu Investment Authority Sukuk for US$1.4 billion.

In the Middle East, the Saudi Electricity Company's US$1.86 billion Sukuk was three times oversubscribed, while the Central Bank of Bahrain's Sukuk was increased to US$750 million from US$500 million and oversubscribed eight times.

Investors were clearly into safe investments as all the Sukuk were sovereign issuances. Kuwait Finance Centre (Markaz) head of research M R Raghu said the timing was perfect for corporates to explore the Sukuk opportunity more closely as an option, especially with the decline in bank lending and with equity shareholders unwilling to participate in recapitalization exercises. He was confident that investors would be attracted to companies with good balance sheets.

Taking heed was Malaysia's national oil and gas company Petroliam Nasional (Petronas) when it issued its US$1.5 billion Global Sukuk. Not only was the first corporate Sukuk of the year oversubscribed, the majority of investors were from Asia, dispelling any theory that liquidity had dried up in the region.

Standard & Poor's report supports the strong demand in Asia. It stated that Malaysia took the lead as the major country of issuance for Sukuk, accounting for about 45% of total issuances in the first seven months of 2009. Saudi Arabia contributed 22% of the Sukuk issued during the same period.

Fischer Francis Trees & Watts emerging markets and Islamic investments director Rafael Martinez Dalmau believes that the Sukuk market has taken the lead in the Islamic finance industry because nothing else can be traded as actively as a Sukuk. The absence of a Sukuk market, he says, will stifle the growth of Islamic finance in the global context of a developed market. "Governments issuing sovereign Sukuk will be the way forward," predicts Dalmau.

As the dust settles from the chaos of the global financial crisis, the Sukuk market is looking to take center stage in the Islamic finance industry. How soon it will happen, only time will tell.

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AFRICA

Niche banking

KENYA: The country's two Islamic banks account for nearly 1% of gross assets in the banking sector since they began operations early last year. Gulf African Bank and First Community Bank have a loan portfolio of KES4.9 billion (US$64 million), deposits totaling KES7.5 billion (US$100 million) and slightly more than 27,000 deposit accounts.

Muslims make up about 15% of Kenya's population of 36 million.

ASIA

HSBC Amanah posts half-year profit

MALAYSIA: HSBC Amanah, HSBC Bank Malaysia's Islamic subsidiary, posted a pre-tax profit and zakat of RM32.4 million (US$9.14 million) for the first half year ended June 30. HSBC Bank Malaysia's executive director and deputy CEO Jonathan Addis said the bank was considering the possibility of opening more standalone Shariah compliant branches here. It presently has four.

He added that HSBC itself was planning on introducing more Islamic banking offerings because of the good response to its recently-launched Islamic credit cards, which has grown to about 50,000 in the market, and its Islamic mortgage products.

Time to standardize

MALAYSIA: Bank Negara has announced rules for a standard application of the Murabahah financing structure to help to seek a common reading of Islamic law to help the industry grow. The standard application is the first in a series of Shariah parameters to be issued as guidance and reference to all Islamic financial institutions.

The bank said the Murabahah guidelines would contribute to further harmonization in the interpretation and application of Shariah views and opinions, especially among Shariah committee members.

Bank Negara's Murabahah guidelines follow other recent efforts at coordination by Islamic banks and Bahrain-based industry body the Accounting and Auditing

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Organization for Islamic Financial Institutions (AAOIFI).

These rules will apply to financial institutions in Malaysia.

Bank Islam profit down

MALAYSIA: Bank Islam profit fell by roughly one fifth to RM299 million (US$84 million) from RM380 million (US$107 million) for the year ended the 30th June, 2009.

The fall was mainly attributed to the net allowance for losses in financing position in the financial year 2009 amounting to RM123 million (US$35 million) due to lower one-off recoveries on financing made in financial year 2009.

The company's revenue increased 4% to RM1.48 billion (US$414 million) from RM1.42 billion (US$387 million) previously. Its revenue mainly comprised income derived from investment of the depositors' fund and income derived from investment of the shareholders' fund of RM1.01 billion (US$298 million) and RM0.47 billion (US$0.13 million) respectively.

Ambitious growth plan

MALAYSIA: Bank Islam is embarking on a three-year growth program that includes business innovation, franchise development and corporate expansion, following the successful completion of its turnaround plan.

The bank's corporate expansion may include mergers and acquisitions, strategic partnerships and "white-labeling" initiatives, said managing director Zukri Samat.

He added that the bank would offer Shariah-based products, locally and abroad, that were developed on a joint research and development between the bank and its strategic partners.

"In this regard, we will start the ball rolling by exploring opportunities which are closer to home or where we already have a presence," said Zukri.

BSN to head northeast

MALAYSIA: Bank Simpanan Nasional (BSN) plans to open full-fledged Islamic banking branches in Kelantan and Terengganu this year.

"BSN chose Kelantan and Terengganu as there have been a lot of queries from the people there on the products involving Islamic banking." said its deputy chief executive consumer banking and business development Norazian Ahmad Tajuddin.

The bank is in the process of obtaining Bank Negara's approval to set up the branches. Norazian added that BSN plans to open about five Islamic banking branches by the end of the year.

Corston goes Islamic

MALAYSIA: Corston-Smith Asset Management is planning a RM1 billion (US$340 million) Islamic fund and will target international pension groups as potential investors.

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"We are speaking to quite a few large pension funds around the world and have been shortlisted by a few governments groups internationally," said founder and managing director Shireen Muhiudeen.

UK-based Hermes Equity Ownership Services owns a 30% stake in the asset management company, which provides fund management services to institutional clients.

Ijarah hopeful

INDONESIA: Local cooking oil producer Salim Ivomas Pratama plans to issue an Ijarah Sukuk worth IDR250 billion (US$25 million) and IDR1 trillion (US$80.8 million) worth of conventional bonds to finance its ongoing projects. The application is being processed by BAPEPAM, the country's securities regulator.

Pioneer Islamic bank

KAZAKHSTAN: Al Hilal Bank of UAE will open the first Islamic bank in Kazakhstan when it establishes two branches this year. The new bank is a joint venture initiative between the governments of Kazakhstan and UAE.

The agreement marks Shariah compliant Al Hilal Bank's international expansion initiative.

The bank in Kazakhstan will focus on corporate and personal banking, as well as Islamic finance solutions for small- and medium-sized enterprises.

Culprits of Sukuk fraud

PAKISTAN: The Federal Investigation Agency (FIA) has arrested a Water and Power Development Authority (WAPDA) officer along with his five accomplices who were allegedly involved in the embezzlement of PKR190 million (US$2.3 million) worth of WAPDA Sukuk.

The Sukuk was issued to the National Fertilizer Company and then illegally reissued to a software engineering company.

EUROPE

Drop in Sukuk issues

UK: New issuances of Sukuk fell 16% to US$9.3 billion in the first seven months of this year compared with US$11.1 billion during the same period last year.

"However, the medium-term outlook for the Sukuk market remains positive, given the strong pipeline – with Sukuk announced or being talked about in the market estimated at about US$50 billion – and efforts to resolve the major difficulties impeding Sukuk market development," said Standard & Poor's credit analyst Mohamed Damak.

MIDDLE EAST

For the sake of face

UAE: Dubai will repay a government-guaranteed US$3.52 billion Sukuk sold by state-owned real-estate developer Nakheel rather than change its terms.

"At stake is the reputation of the government here. The likelihood here is that the bond will pay," said London's Ashmore head of research Jerome Booth.

Standard & Poor's said in April that Dubai World, the government-owned investment group that controls Nakheel, is considering all options "in dealing with outstanding liabilities," including a restructuring.

Murabahah takes the wheel

QATAR: The Islamic banking arm of International Bank of Qatar (IBQ), Al Yusr,

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has launched a new Shariah compliant financing product, known as Car Murabahah.

Its head of Islamic banking Hassan al-Muilla said the product had been developed to enable its customers to meet their financing requirements while benefitting from enhanced flexibility, competitive rates and a personalized service while adhering to the prudent risk management principles prescribed under the Shariah.

IBQ launched its first Al Yusr Shariah compliant banking branch in Doha this year, which offers a full range of services and products including consumer and personal finance solutions such as Murabahah and Tawarruq, as well as corporate banking financing based on Istisna, Ijarah and Murabahah.

Noor Islamic FX services

UAE: Noor Islamic Bank has launched its foreign currency exchange (FX) services at its Dubai Airport Terminal 3 branch.

The 24-hour bank will provide 'buy and sell' services at market rates for all major Gulf Cooperation Council (GCC) and international currencies.

It will also allow clients to make bank transfers to over 170 countries from these counters as well as cash their travelers' checks.

The Islamic bank aims to introduce foreign exchange service across other branches within the next few months.

Expatriates new mortgage

UAE: State-backed mortgage provider Abu Dhabi Finance (ADF) has launched a mortgage called Compass for clients residing outside the UAE.

Abu Dhabi Finance's new mortgage is tailored for buy-to-let investors, in addition to those seeking equity release and remortgaging.

"We know that there is a strong demand for mortgages for non-residents which we are now in a position to help to satisfy," said CEO Philip Ward.

Under the mortgage scheme, ADF will offer up to 75% mortgage finance. Those who are self-employed will get a maximum of 70% finance.

The minimum loan amount will be AED250, 000 (US$68, 064) with the maximum depending on the individual applicant's circumstances.

UAE outshines them all

UAE: Banks from the UAE dominate the Emirates Business rankings of top Islamic banks in the Gulf Cooperation Council (GCC) region, with four UAE entities finding place among the top 10 based on assets as of the 30th June, 2009.

These are UAE's Dubai Islamic Bank (US$23.9 billion), Abu Dhabi Islamic Bank (US$15.8 billion), Emirates Islamic Bank (US$6.8 billion) and Noor Islamic Bank (US$5.94 billion).

There are a total of six UAE banks among the top 25 Islamic banks, with a combined asset base of almost US$62 billion – topping the country charts.

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The combined asset base of the top 25 Islamic banks in the GCC stands at US$218.76 billion, a growth of just little more than 2% over the end-2008 figure of US$214 billion.

However, assets of the top 25 Islamic banks grew more than 28% in 2008 over 2007.

Untapped marine potential

QATAR: QInvest, a Qatari investment bank, and Fortis Bank Nederland plan to start the first Shariah compliant mezzanine marine fund, targeting opportunities in the shipping industry.

The five-year fund, which hopes to raise US$200 million, will target mezzanine investment opportunities in deep sea vessels. It seeks to benefit from the down cycle of the shipping industry through an extended investment period of around 18 months.

"Shipping asset values have been disproportionately impacted relative to the global economic downturn.

These, combined with tighter credit markets, offer potentially attractive upside as the sector recovers and we believe the fund will be well placed to unlock that value for our investors," said CEO Shahzad Shahbaz.

(Also see IFN Report on page 11)

Fitch: Possible downgrade

UAE: The revised minimum capital adequacy requirements (CAR) by the Central Bank of the UAE for the country's Islamic and conventional banks has increased uncertainty within the banking system and may lead to a downgrade in the banks' individual ratings, if they lower their capital ratios too near to the revised minimum levels, said Fitch Ratings.

Under the revision, banks only need to have a minimum Tier 1 capital ratio of 7% (included in a minimum total capital ratio of 11%) at end-September 2009 and 8% (total capital ratio of 12%) by end-June 2010.

In October last year, the Ministry of Finance had stipulated higher capital requirements of 11% by end-June 2009 and 12% by end-June 2010.

Effective on the 31st August 2009, the new temporary rules apply to national and foreign banks and will be reviewed in the beginning of 2011.

Fitch currently rates 13 bank and non-bank financial institutions in the UAE.

Emirates NBD to raise capital

UAE: Emirates NBD, the largest bank in the country, may raise as much as AED7.34 billion (US$2 billion) this year with the help of a new federal law that guarantees bonds issued by local banks.

However, Emirates NBD, which has Islamic banking affiliated entities, plans to first issue a three- to five-year bond under a Euro medium term note (EMTN) program.

SEDCO picks C-Mantis

SAUDI ARABIA: Saudi Economic and Development Company (SEDCO), a leading Shariah compliant private wealth management company, has selected 3i Infotech's C-Matis Solution to help simplify and increase operational efficiencies for its primary businesses.

The C-Matis Solution is a wealth management suite that helps investment firms streamline their wealth, asset and fund management operations. 3i Infotech is a global information technology company which provides technology solutions in over 50 countries.

In trouble again

UAE: Shariah compliant mortgage lender Amlak Finance has reported a net loss of AED67 million (US$18 million) for the second quarter, a drop of 12% compared to a profit of AED145 million (US$39 million) in the same quarter last year, as it took provisions on mortgages made on incomplete properties.

"The loss in the second quarter was inevitable, as Amlak had to make higher general provisions for the financing portfolio," said vice-chairman Ali Ibrahim Mohammed.

Revenue declined to AED191 million (US$52 million) for the second quarter, a 12% decrease from the same period last year, while income from financing and investments fell 18% to AED169 million (US$46 million).

SHUAA issues new shares

UAE: Dubai-based financial firm SHUAA Capital has requested the Dubai Financial Market to issue 515 million new shares to Dubai Banking Group (DBG).

The issue will increase its paid-up capital by AED515 milllion (US140.3 million) to AED1.065 billion (US$290 million), while its total shareholders' equity remain unchanged at AED2.16 billion (US$588 million).

This follows an agreement regarding the convertible bonds issued by SHUAA to DBG, according to which DBG will convert the AED1.5 billion (US$408 million) convertible notes into 515 million shares, representing a 48.4% stake of Shuaa's share capital.

Platinum Shariah card

SAUDI ARABIA: The National Commercial Bank (NCB) has launched its latest Shariah compliant premium credit card, the Visa Platinum Credit Card.

Since the beginning of the 1990s, NCB has been a pioneer in Islamic banking, offering a wide range of alternatives to traditional banking services and products.

Unicorn Saudi to take off

SAUDI ARABIA: Unicorn Capital Saudi Arabia, majority owned by Unicorn Investment Bank (Unicorn), has received approval from the country's Capital Market Authority (CMA) to commence operations.

It will provide the Saudi market with an integrated and comprehensive range of Islamic investment products and services, with the backing of Bahrain-based Unicorn, an Islamic investment bank.

Correction
In last week's Islamic Finance *news* (Vol 6, Issue 34, page 11), Gatehouse Bank's operating loss in 2008 was incorrectly stated. The actual figure should read GBP8.5 million.

ASIA

Takaful units upbeat

MALAYSIA: Reinsurance group MNRB Holdings' Islamic unit, Takaful Ikhlas, aims to contribute RM700 million (US$198 million) in its current financial year, up from the RM581 million (US$164 million) posted in its financial year ended March 2009.

The insurer is undergoing a consolidation phase but expects a premium growth of about 25%, with a focus on the non-motor segment under General Takaful.

Meanwhile, MNRB's other Shariah compliant subsidiary MNRB Retakaful hopes to boost its overseas business by expanding into Saudi Arabia, Syria and other emerging markets.

In spite of the higher targets of its two Takaful units, MNRB Holdings expects a lower revenue growth of 8.5% in its current financial year compared to the 20% it achieved in the previous year.

The group also plans to be more selective in underwriting all classes of insurance, due to the soft reinsurance market and slow economic conditions.

Subscribers GRIP

MALAYSIA: Hong Leong Tokio Marine (HLTM) Takaful expects Malaysians to subscribe to funds worth AU$30 million (US$25 million) for its newly launched capital protection investment-linked scheme.

The four-year Australian dollar-denominated Islamic global recovery income plan (GRIP) uses the concept of Murabahah and Waad (unilateral undertaking).

The investment return will depend on the performance of a basket of reference assets consisting of US and Hong Kong equity, crude oil and precious metals.

MIDDLE EAST

Charitable Takaful

BAHRAIN: Islamic insurer t'azur has launched Sadaqah, a charitable insurance product. "The Sadaqah plan is, to our knowledge, the world's first insured charitable savings scheme," said CEO Nikolaus Frei.

Under Sadaqah, customers' donations are invested in Islamic funds for a fixed number of years.

The accumulated capital is then given to the charities of the donors' choice.

If the donor is unable to make the contributions, t'azur will continue the regular donations through an insurance contract to ensure that the charity receives the intended donation.

Successful rights issue

SAUDI ARABIA: Islamic insurer SABB Takaful has raised SAR343.4 million (US$92 million) from its rights issue that was oversubscribed. The company was hoping to raise SAR300 million (US$80 million).

The insurer, an affiliate of HSBC Holdings, said 96.5% of its investors subscribed to the offer and would receive 12 shares for every five they already owned.

ASIA

Early redemption worry

MALAYSIA: Malaysian Rating Corporation (MARC) has placed its 'AAAID' and 'AAID' ratings of ABS Plantation Assets' Class A and Class B Senior Notes Bai Bithaman Ajil Islamic Debt Securities (BaIDs) respectively on MARCWatch Developing.

The placement reflects the uncertainties surrounding ABS Plantation's early redemption exercise plan.

MARC said the early redemption of the notes would expose the BaIDs holders to disbursement risks. However, if not redeemed earlier, ABS would incur a cash outflow of RM3.1 million (US$875,000) in March 2010 for the deferred principal and profit over the deferment period, in addition to its original obligations under the BaIDs.

ABS Plantation is a special purpose company formed to purchase the beneficial rights and legal title to its securitized assets.

Healthy balance sheet

MALAYSIA: RAM Ratings has reaffirmed the 'AAA' rating of Syarikat SESCO's (SESCO) RM605 million (US$171 million) Bai Bithaman Ajil Islamic Debt Securities (2001/2012) (BaIDS). Its long-term rating has a stable outlook.

The rating is also supported by SESCO's robust financial profile that is characterized by its healthy balance sheet, as well as its solid and predictable cash flow-generating aptitude.

SESCO is an exclusive transmitter and distributor of electricity in the state of Sarawak and plays an important role in promoting the economic development of the state.

Expenditure within budget

MALAYSIA: RAM Ratings has reaffirmed the respective 'AA3' and 'A2' ratings of independent power producer Mukah Power Generation's (MPG) Senior Sukuk Mudarabah program of up to RM665 million (US$188 million) (2006/2021) (Senior Sukuk) and Junior Sukuk Mudarabah program of up to RM285 million (US$80 million) (2006/2031) (Junior Sukuk). Both long-term ratings have a stable outlook.

The two-notch rating distinction between the Senior and Junior Sukuk reflects the latter's subordination in terms of cash flow priority as well as its strong equity-like features.

Despite a delay in the completion of the commercial operations of its two units according to the power purchase agreement, MPG's overall expenditure has been within budget.

It has not utilized the additional RM75 million (US$21 million) provided by its parent company Sarawak Energy via Sarawak Power Generation as a cash buffer to support construction cost overruns as well as cover profit payments in the event of completion delays.

Strong cash flow

MALAYSIA: MARC has affirmed the ratings of DRIR Management's RM180 million (US$51 million) Class A and RM160 million (US$54 million) Class B Sukuk at 'AA(IS)' and 'AA(-IS)' respectively with a stable outlook.

MARC has based its ratings for both classes on the continued strong cash flow generated by sister company MHS Aviation's service contracts, which backed its lease rental obligations under the Sukuk issuance.

The stable outlook reflects expectations that the cash flow from MHS Aviation's contracts is sufficient to meet the lease payment requirement and maintain compliance with financial covenants under the transaction.

A wholly owned subsidiary of DRIR Equities, DRIR Management was incorporated for the purpose of owning and leasing aircraft and helicopters.

IPP reaffirmed at 'AA1'

MALAYSIA: RAM Ratings has reaffirmed the 'AA1' rating of independent power producer (IPP) Sejingkat Power Corporation's (Sejingkat) RM195 million (US$55 million) Bai Bithaman Ajil Islamic Debt Securities Facility (2000/2009) (BaIDS) with a stable outlook. The rating remains supported by Sejingkat's strong business profile.

In its financial year ended December 2008, the firm's performance exceeded its requirements in its power purchase agreement with SESCO, thus earning full capacity payments. Similar to other independent power producers, however, Sejingkat remains exposed to single-project risks.

The company is jointly owned by investment holding company Sarawak Energy and Syarikat SESCO and is responsible for the generation, transmission and distribution of electricity in the state of Sarawak.

Single-project risk

MALAYSIA: MARC has affirmed the ratings of geosynthetic manufacturer Emas Kiara Industries' RM80 million (US$23 million) partially underwritten Murabahah notes issuance facility/Islamic medium term notes issuance facility at 'AID/MARC-2ID'.

The rating outlook has been revised to 'developing' from 'stable' due to Emas Kiara's increased business risk exposure by its recent foray into the north-eastern Indian state of Assam, which had awarded the company a RM72 million (US$20 million) contract to supply and install geosynthetic tubes.

This contract, which constitutes a sizeable 53% of its current total order book of RM142 million (US$40 million), exposes the company to a single-project concentration risk.

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The affirmed rating is supported by Emas Kiara's leading market position in the local geosynthetic industry, attributable to the group's sound track record, improved operational efficiency following a plant integration exercise, and its ability to offer a wide range of geosynthetic-based solutions encompassing engineering design, manufacturing, customization and installation.

Ahead of schedule

MALAYSIA: Investment holding company MTD ACPI Engineering has fully redeemed its RM130 million (US$37 million) Murabahah commercial papers/medium term notes (2003/2010), ahead of its scheduled maturity on the 14th January 2010.

Following the early redemption and cancellation, RAM Ratings no longer has any rating obligation on the debt facility and the 'A3/P2' ratings are no longer applicable.

MIDDLE EAST

IDB Sukuk affirmed 'AAA'

SAUDI ARABIA: Standard & Poor's Ratings Services has affirmed its 'AAA' senior unsecured debt rating on the increased US$1.5 billion Islamic trust certificate issuance program of IDB Trust Services, a special-purpose entity incorporated in Jersey that raises funds for Islamic Development Bank (IDB) ('AAA/Stable/A-1+').

The rating on the program, and the notes to be issued later, is equal to the issuer credit rating on IDB. The rating agency said the equalization was based on the view that the full and timely payment of periodic distribution and principal on the Sukuk ultimately depends on IDB Trust Service's recourse to IDB's obligations under the program.

IDB grants a noninterest-bearing liquidity facility to IDB Trust Services, which can be drawn if the profits on the Sukuk assets are insufficient to pay periodic distribution payments on the Sukuk.

Robust lessor profile

UAE: Fitch Ratings has affirmed Qatar Real Estate Investment Company's (Alaqaria) long-term issuer default rating (IDR) and senior unsecured ratings at 'BBB+' respectively, and its short-term IDR at 'F2'. The outlook for the long-term IDR is stable.

The rating action affects Qatar Alaqaria Sukuk Company's US$300 million Sukuk due in 2012. The rating affirmation reflects Alaqaria's strong business model, robust lessor profile and above-average lease duration for the region.

Finance leases provide stable, long-term rental income for Alaqaria which are underpinned by off-take arrangements by Qatar Petroleum (QP) and government-related entities of between 10 and 15 years, and operational lease agreements of between five and 25 years with QP-related companies. These arrangements have provided Alaqaria with sound defensive qualities during the region's property downturn, as has been proven by the stable financial performance of the company to date.

Improved asset quality

SAUDI ARABIA: Capital Intelligence has affirmed the ratings of Shariah compliant bank Al Rajhi Banking & Investment Corporation (ARB).

The long-term foreign currency rating of 'A+', the short-term foreign currency rating of 'A1' and the financial strength rating of 'A+' are all unchanged, as is the support rating of '2'. All ratings carry a stable outlook.

Strong capital ratios include a robust capital adequacy ratio (CAR), which help to offset an otherwise tight liquidity profile. While some changes in the central bank's method of calculation of CAR have limited the opportunity for the bank to grow that figure, it remains the highest among Saudi banks.

ARB's liquidity position has improved in 2009, and any concerns about it are further mitigated by the size, breadth and stability of the bank's retail deposit base.

By virtue of write-offs, recoveries, and large loss provisioning against its Islamic financing facilities in 2008, the bank greatly improved its asset quality, which had weakened in the previous year.

QATAR

Ahoy mezzanine shipping fund

Qatar's largest investment bank and a major Dutch bank are hoping that Middle East investors will be enticed by their latest offering — a Shariah compliant mezzanine shipping fund. Touted to be the "first-of-its-kind", the fund to be jointly launched by QInvest and Fortis Bank Nederland, aims to raise US$200 million and will target mezzanine investment opportunities in deep sea vessels. Mezannine financing is a hybrid of debt and equity financing that is typically used to finance the expansion of existing companies.

Islamic Finance *news* descended into the "bowels of the ship" with QInvest's CEO Shahzad Shahbaz to talk about the structure and prospects of this unique fund. He said an analysis of the shipping sector for opportunities from a financing perspective resulted in the mezzanine shipping fund. "Our analysis led us to the conclusion that from a risk-return perspective, it was the mezzanine category. This is partly because of the current global economic crisis, and also because the values of this sector have been greatly depressed.

"Institutions providing senior debt in shipping finance have reduced their loan-to-value, which incidentally has also occurred in all asset classes. Furthermore, those providing equity have been instructed to increase the amounts instead. So, when you think about it, mezzanine financing sits between equity and senior financing. Mezzanine, however, has greater protection. Based on the analysis we did, very good opportunities are available in that category," he said.

Asked whether making the fund Shariah compliant would limit the portfolio, Shahbaz said it would not be greatly affected. On the contrary, he said, the transportation sector lends itself very well to Islamic financing as all the underlying assets are Shariah compliant. "Historically, when you look at air transport, a lot of financing has been done using Islamic structures. Structuring Islamic finance is friendly from an asset class perspective. Also, Islamic finance has evolved considerably over the last few years. We think that there are many types of solutions and structures in Islamic finance that can be applied," he said.

Shahbaz said QInvest and Fortis would be marketing the fund to institutions, family offices and high net worth individuals primarily in the Middle East in several weeks. "We think there will be considerable interest given the kind of risk-return trade-off in the product in this fund," he said.

Shahbaz added that all the formalities are in the final stages of been finalized between Fortis and QInvest. The two financial institutions are already in the process of preparing the placement memorandum and other information. "Based on some of the market enquiries that we have done on an informal basis, as well as our due diligence prior to developing this idea, we are optimistic that it will be well received by investors," he said.

QInvest was licensed by the Qatar Financial Centre Authority in April 2007 and is regulated by the Qatar Financial Centre Regulatory Authority. This is not QInvest's maiden voyage into the shipping industry. Two months ago, it had released a statement saying it was acting as an advisor to clients, who were in the process of acquiring Polish shipyards Szcsecin and Gdynia, after the press caught wind of QInvest's connection.

GLOBAL

Islamic finance's 'CSR'

In June, two Islamic finance advisory firms embarked on an initiative to gather data for a first-of-a-kind corporate social responsibility (CSR) survey of Islamic finance institutions (IFIs). Dar Al Istithmar and Dinar Standard stated that the objective of the survey was to benchmark Islamic finance institutions on their social responsibility efforts. The outcome of the survey is expected to be published as a CSR research trends report soon, though it was slated to be released publicly on the 31st August. Islamic Finance *news* spoke to Dar Al Istithmar's senior consultant Dr Sayd Farook on this initiative.

Farook said the reasons behind the project were two-fold; firstly, to empirically document the social responsibility practices of the Islamic finance industry (IFI) on an annual basis. He said the two advisory firms believed that there was no reliable primary data that assessed the characteristics of IFIs, despite their raison d'être.

"Secondly, it was to encourage IFIs in their socially responsible activities by highlighting the conduct of institutions that are exemplary in their contribution to society. The Maqasid Al-Shari'a Awards, which will recognize the major accomplishments of IFIs and the industry by awarding institutions in each category according to their contributions, is a follow-on from this survey and will hopefully fulfill that objective on an annual basis," said Farook.

He explained that Dar Al Istithmar's initial impetus to develop the survey was actually garnered by its active involvement in the development of the Governance Standard for IFIs No 7: Corporate Social Responsibility Conduct and Disclosure for IFIs. "We had the privilege to work with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to develop this standard, which will come into effect on the 1st of January 2010," he said.

Farook elaborated that although IFIs did not need to imitate the conventional market in adopting CSR practices since it was an inherent part of Islam, institutions had the capacity to effect change at a level that individuals could not.

"The Islamic notion of social responsibility is not a marketing strategy nor is it an exercise in charity, as many mistakenly believe that just because IFIs generously contribute to charities, that's all there is to it. For institutions, social responsibility should be engrained into every decision the institution makes, from the kind of clients and the investments made to the treatment of the underprivileged classes within reach, be they disabled, poor or disenfranchised. IFIs should reach out to these groups within societies and actively seek to engage and assist them within their capacity," he said.

Farook declined to disclose the results of the survey. However, he said the response was very encouraging as it included prominent IFIs. "We will utilize the results of this survey to understand IFIs practices with respect to social responsibility and how IFIs can potentially improve in this vital aspect of their operations.

"We hope that with our continued efforts in the years to come, this survey will become the prime benchmark for the Islamic finance industry to assess itself," he said.

Reports by Raphael Wong

GLOBAL

Second wave for Sukuk

Ask any market player what the thorn in the side of a Sukuk issue is and he will tell you it is the lack of a secondary market. Islamic Finance *news* spoke to Fischer Francis Trees & Watts emerging markets and Islamic investments director Rafael Martinez Dalmau on this prickly issue.

He began by saying that the Sukuk market is experiencing the same issues that emerging markets did 10 to 15 years ago, such as a lack of liquidity as well as the concentration of issuances in one place. "Emerging markets were exactly the same. It was a subset and part of the banking system with a few traders buying a few bonds and that was it," he said.

Dalmau predicted that the next wave for the Sukuk market would be an "evolutionary leap" when big institutions invest in resources to help create the much-needed secondary market. This, he said, would occur when big institutional players see the potential and enter the arena.

"The moment Sukuk becomes a global business, you will have large asset managers like JP Morgan, Deutsche Bank and Goldman Sachs, who see the potential and want to enter the market.

Then, it becomes another asset class. Large global institutions will emphasize, among others, research, the opening of branches, the need for trading desks and the provision of liquidity," he said.

Whether the people in the Islamic finance industry like it or not, their Sukuk issues will not be successful without the participation of these global institutions, added Dalmau.

He said the global economic crisis has disrupted the whole system of the Sukuk market, which was evolving very nicely before this. "So, if there are no more 'accidents' in 2009 and 2010, you will see a rapid growth in the Sukuk domain.

People are realizing that there is potential to make money, and they will make money. The industry will then be independent. The high-yield bond market used to be in a similar position back in the 1980s and now it is no more a unique market," he said.

Asked about a secondary market for Sukuk, Dalmau said two factors were imperative. Firstly, it was the need for more issuances in the market. "For that, you need the markets to normalize again," he said, adding that this could only occur if no further "surprises" take place this year.

Secondly, Dalmau said the perception of market players was an important factor for a secondary market. Traditionally, investors kept their Sukuk and when the markets collapsed, losses were incurred.

"If banks in the GCC now purchase a Sukuk or bond, they will mark to market. And, if they do not like the price, they can sell the Sukuk and get out of that position. This creates volume and spread, which then allows for a two-way market, which is something that did not happen before because people bought and kept the Sukuk," he said.

By Raphael Wong

Islamic Capital Markets Respond to the Financial Crisis

By Farmida Bi

The twelve months following the collapse of Lehman Brothers have proved to be extremely challenging for the Islamic capital markets with very little activity to match the rapid rates of growth from 2004 to 2007. Islamic bond issuance increased by 49% in 2005, 153% in 2006 and 79% in 2007. This growth in Sukuk issuances was attributable to enhanced liquidity for investors, higher oil prices and a growing sentiment in favour of Islamic financing.

However, 2008 proved to be a more difficult year with the uncertainty caused by the AAOIFI statement earlier in the year (see below) and the market volatility in the second half of the year, reducing the number of international Sukuk transactions coming to the market by 66%. The expected development of a Shariah compliant securitization market has not occurred and, in 2009, we have now seen the first defaults taking place in the Sukuk market.

The future of the Islamic capital markets looks more fragile now than it has done at any time in the last five years although we may at last, see the first signs of green shoots with the success of sovereign issues by Indonesia and the Central Bank of Bahrain.

AAOIFI statement

Initially, the slow down in the Sukuk market in 2008 was attributed to the statement issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in February 2008. Sheikh Taqi Usmani's commented that Wakalah-, Musharakah- and Mudarabah-based Sukuk should not use purchase undertakings with predetermined exercise prices in order to guarantee the return paid on a Sukuk at the commencement of the transaction.

This statement resulted in the need for issuers to either find assets which can be used in Ijarah-based structures or, where such assets are not easily available, to consider alternative structures.

The AAOIFI statement made a significant impact on the Islamic capital markets but its effect was probably overstated and the slow down in the number of transactions coming to the market was likely to have been caused more by the general volatility in the capital markets in 2008.

If the market in 2008 had been buoyant, the AAOIFI statement would not have impeded the growth of the market for long since the much-derided lawyers and bankers would have found innovative responses to address the concerns of the scholars. We began to see possible solutions in the form of the Villamar Sukuk issuance and the Sun Finance securitization.

The Villamar Sukuk issuance in May 2008 utilized non-recourse project finance principles to allow Sukuk Musharakah certificates to be issued without relying upon a purchase undertaking.

Following global concerns about the securitization market since the closing of the Tamweel RMBS transaction, the only other Shariah compliant securitization deal that has entered the market from the Gulf region is the Sun Finance US$1.1 billion issue in August 2008, using a true sale (asset-backed) structure.

Both transactions marked the first responses from the Islamic capital markets to the concerns raised in the AAOIFI statement in early 2008. The more fundamental financial crisis which followed shortly after the closing of the Sun Finance transaction as a result of the collapse of Lehman's in September 2008, has meant that very few transactions have been able to access the markets and those which are generally using the simplest Sukuk structures, such as the Ijarah, do not give rise to the concerns expressed by AAOIFI.

The current view seems to be that investors may be frightened by any element of complexity or controversy and so, for the immediate future, it is unlikely that we will build on the steps taken by transactions such as Villamar and Sun Finance.

New issues since Lehman

In the immediate aftermath of the collapse of Lehman Brothers, it seemed that the Islamic capital markets would be unaffected by the prevailing financial crisis because of the belief that the Islamic financial markets had decoupled from the conventional markets and had not relied on the sub-prime assets or excessive leverage which caused difficulties for many conventional institutions. There was even a view that this crisis was an opportunity for Islamic finance to show the rest of the world that its model was much more attractive and if only the world adopted Islamic principles, we could avoid a repeat of the crisis.

By November 2008, it became clear that the Islamic financial markets were profoundly affected by the crisis and that little decoupling had in fact taken place from the conventional markets. Since September 2008, there have been few high profile transactions in the Islamic capital markets although a number of issuers had established both conventional and Shariah compliant medium term notes programs in readiness for a return of investor appetite at the beginning of 2009. The market has been slow to reappear, although there now appear to be signs of some green shoots.

The first positive sign was the inaugural US$650 million Sukuk issue by the Republic of Indonesia in April 2009 which was reported to have been seven times oversubscribed and priced more tightly than its conventional bond issued two months earlier.

The first international Sukuk issue from the Gulf came from the Central Bank of Bahrain in June 2009. The US$750 million Sukuk issued was also reported to have been significantly oversubscribed and to have been increased from an initial size of US$500 million in response to investor demand.

These new issues show positive signs and there are expectations of further issues in the market after the Eid holidays in October.

Islamic finance as an alternative funding

The international response to the financial crisis has been mostly positive for Islamic finance. Blue chip issuers who, for the first time, found that their conventional sources of funding were either closed to them or unreliable, have turned to Islamic finance as a source of

continued...

Islamic Capital Markets Respond to the Financial Crisis (continued)

alternative funding. Their governments are reviewing their tax and regulatory legislations to ensure that such issuers are not penalized for accessing the Islamic markets rather than the conventional markets.

In Europe, London has shown the way by removing all tax barriers in its Finance Act to a UK corporate issuing an Ijarah-based Sukuk. The French government has also expressed its enthusiasm for Islamic finance by introducing tax changes and introducing a concept of trust law into its existing civil law system, with the promise of a Sukuk issue in the near future. Issuers in Germany and Italy are also actively pursuing Islamic finance opportunities while Asia, Hong Kong and Singapore are actively vying to become the Asian hub for Islamic finance.

Defaults produce more robust structures

The economic crisis has also resulted Sukuk defaults, by The Investment Dar, a Kuwaiti Islamic investment firm which owns 50% of Aston Martin, by East Cameron Gas, a Texan oil and gas company and, more recently, by Saad Group, a Saudi Arabian based privately owned conglomerate.

Some commentators believe that these defaults will impact the Sukuk market generally but they should be seen simply as the signs of a maturing market. An economic downturn is likely to see some Sukuk fail just as some bonds will fail in the conventional markets. What is more important is how defaults or any restructurings are managed so that investors feel that they are participating in a transparent and fair process.

The East Cameron Gas Sukuk is particularly interesting because it has raised issues as to where Sukuk holders stand in the line of creditors and even whether they are creditors or owners. The company has stated before the courts in Louisiana that there was no transfer of production revenues ("royalties") to the special purpose issuer of the Sukuk and that the Sukuk transaction constituted a loan secured on the royalties, which the Sukuk holders must share with other creditors.

The judge in the first case has dismissed this argument stating that the transfer of the revenues constituted a true sale to the special purpose issuer of the Sukuk but he has given East Cameron Gas leave to find further arguments to support its case. The decision in the first instance is therefore beneficial to Sukuk investors and the greater scrutiny that legislation or defaults will bring to Sukuk instruments will help the market to produce more robust structures in the future.

The East Cameron Gas litigation has highlighted one of the biggest structuring issues for Sukuk: are they asset-based or asset-backed? Most Sukuk in the market are asset-based where the asset is placed in the structure to generate profits that are paid to investors but, in the event of a default, the investors have no recourse to the assets and must rely instead on their contractual rights under a purchase undertaking issued, typically, by the originator of the transaction.

This is usually very clearly described in the Sukuk documentation, including the prospectus, but some investors, especially in distress situations, continue to believe that they have rights of enforcement against the assets themselves because an interest in the Sukuk grants them a share of the ownership of the asset pursuant to the definition of Sukuk issued by AAOIFI.

That ownership interest, however, is usually transferred to an interest in the proceeds generated, if any, by the exercise of the purchase undertaking. There are very few asset-backed Sukuk where the recourse of the Sukuk holders is purely to the assets.

It is likely, however, that most of the Sukuk issuances in the coming months will be Ijarah-based since that structure was not affected by the AAOIFI statement, and this will require potential issuers to have assets equal to the value of the proposed Sukuk available to be placed in the structure. The Ijarah structure also responds to the demand for simplicity by investors.

Removal of barriers

The economic downturn in 2008 has shown that the Islamic capital markets are a part of the international financial system and it is premature to speak of a decoupling from the conventional markets at this stage. Islamic capital markets are young markets that have been tested by this crisis but should emerge stronger as a result.

Many more conventional issuers in non-Muslim-majority countries are aware of the possibilities offered by funds that are subject to the requirements of the Shariah and the governments of such potential issuers are now acting to remove the tax and regulatory barriers which had impeded the growth of Islamic finance in these jurisdictions.

The pace of growth in the market is anticipated to pick up from 2010 onwards but it is likely that the rate of growth may not return quickly to the levels seen in 2004 to 2007. This can also be seen as a positive development as the market tests and considers new developments to ensure that they are compliant with the principles of Shariah and the needs of issuers and investors.

NORTON ROSE
Farmida Bi
Partner, International Securities Group
Norton Rose

For more information, please contact:
Sarah Webster
PR Manager, Norton Rose
3 More London Riverside, London SE1 2AQ, UK
Tel: +44 20 7444 5942
E-mail: sarah.webster@nortonrose.com

The Hare and the Turtle: Pakistan versus Malaysia in Advancing Islamic Finance (Final Part)

By Rosmah Ismail

Taking Malaysia as an example of a country with an established Islamic banking and finance legal framework, the State Bank of Pakistan (SBP) issued a draft Banking Act and had invited comments from specialists and the public.

Below are some points of comparative analysis between SBP's Draft Banking Act 2006 and Malaysia's Banking and Financial Institutions Act 1989 (BAFIA) and Islamic Banking Act 1983 (IBA).

Risk management

Operational risk management consists of legal, systemic, Shariah compliance risks :

- Systemic risk
  Similar to Malaysia and many countries, the SBP has provided for systemic risk management through the gradual adoption of the Basel I and II Accord. Both Pakistan and Malaysia have initiated the process of implementing the Basel II Accord.

- Shariah compliance risk
  Shariah compliance risk is very well catered with the comprehensive SBP's Shariah Compliance Risk Guidelines

Corporate governance

- Ownership control and transparency
  The provisions are standard, and similar to Malaysia's, the SBP lists out its criteria for the senior management roles and qualifications

- Banking secrecy and information
  Part VI article 67 prohibits any removal of records or information outside of Pakistan in whatever form. All transaction records are to be kept in order at all times, with no maximum retention period stated. However, foreign supervisory bodies are allowed to conduct supervisory inspection with prior approval from the SBP. Similarly, BAFIA provides full secrecy except in cases of anti money laundering, terrorist funding, credit bureau and criminal proceedings.

- Illegal banking activities
  As the Hawala system is rife in Pakistan, Part VIII dedicates a long list of punitive provisions pertaining to this area. Basically, everything will be confiscated and wound up and all disclosure from the transgressor would be necessary in order for the government to squash the syndicates.

- **Remedial action**
  Part X provides for corrective action whereby the SBP will intervene in order to enforce corrective action plans in circumstances of a bank unable to meet its financial obligations or is not acting in the best interest of its depositors or is being used for criminal purposes. There are 18 remedial steps which the SBP may require the bank to take in order to have a fast turnaround of its situation.

Strategic Plan 2005 - 2010

The Second Wave of Islamic banking revival in Pakistan brought with it Pakistan's Strategic Plans 2005-2010 and laid down a strategic planning process as follows:

A. Functional strategies:

- Financial sector deepening and broadening of access through wider access of formal credit to middle and lower income groups such as the small- and medium-sized enterprises (SME) and micro enterprises.

- Proactive supervision and regulation of financial through the formulation of a proactive resolution mechanism for banking crisis, consolidating supervision of banks, streamlining data reporting by financial institutions, developing framework for e-Banking, implementing Basel II Capital Accord, and strengthening anti-money laundering compliance.

- Privatization of the public sector banks and divestment of government shares in privatized banks

- Strengthening the financial sector. The SBP will focus on introducing a safety net through the Deposit Insurance Scheme and a phased increase in the regulatory capital requirement

- Promoting Islamic banking as a parallel and compatible system to conventional banking. A two-pronged approach will be adopted: attracting international banks of quality to locate in Pakistan and nurturing a cadre of professional Islamic bankers domestically.

- Conduct forward looking policy analysis

- Enhance effectiveness of monetary policy implementation. In order to manage the short-term call money market more effectively, the SBP plans to introduce the Liquidity Adjustment Facility in Pakistan.

- Improve research and data dissemination capability, and improving interaction with stakeholders.

- Deepening of financial markets. New financial products will be traded in the Money/Bonds market by the introduction of Zero Coupon Yield Curve through the bootstrapping process, Bond Stripping and development of a Government of Pakistan (GoP) Bond Index.

- Prudent foreign exchange rate and reserves management

B. Management Strategies
Among the key strategies are to:

- Development of Real Time Gross Settlement System (RGTS)

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The Hare and the Turtle: Pakistan versus Malaysia in Advancing Islamic Finance (Final Part) (continued)

- Development of Public Key Infrastructure and Digital Certificate Infrastructure
- Implement e-Banking and e-Commerce
- Establishment of Electronic Clearing House
- Integration of payment system with other settlement systems (local and foreign)
- Development of securities settlement system for secondary market
- Information technology upgrade
- Effective communication strategy with all stakeholders
- Active in corporate citizenship initiatives.
- Strengthening of legal framework by preparation of substantive legislation, rules and regulations
- Strengthening of contingency mechanisms such as Business Continuity Process (BCP) with establishment of Disaster Recovery Centre (DRC)
- Business process re-engineering to be in sync with implementation of technology
- To improve use and effectiveness of data to support policy and research
- Enhance efficiency and reporting of information relating to government accounts
- Remove hurdles for seamless coordination between policy and operations in accounts, audit and exchange policy
- Implement risk-based audit

The above five-year strategy looks like something out of Malaysia's many financial sector plans. The Pakistan Plan above is more consolidated and is a financial master plan rather than just an Islamic banking plan for a country. It is also interesting to note that Islamic banking and finance is positioned as a 'Parallel and Compatible system' rather than a financial system that is to replace an existing one.

In essence, the paths of the two countries have been invariably different although each derived its legislative and judicial tradition from its Commonwealth origins.

Malaysia, on the one hand, is more inclined to go surefooted albeit slowly, pacing through the various government entities in order to obtain consensus. On the other, many wonder if the country is moving much too slowly to seize the opportunities in the Islamic banking.

Malaysia has left the BAFIA and IBA general rather than detailed, so that new areas and issues may be handled and resolved without having to opt for numerous amendments in the future, thereby making this legislative approach sectoral and functional than all encompassing.

Pakistan on the other hand, has a wealth of Shariah expertise to its disposal with strong Shariah traditions. However, the country's political breadth and width play a significant role in directing the outcome of the country's developments - financially, economically and socially. Hence, the Banking Act 2006 may see a few more years as a draft, having not incorporated the above requirements of their five year strategies as yet.

"In essence, the paths of the two countries have been invariably different although each derived its legislative and judicial tradition from its Commonwealth origins. "

This strategy has also somewhat changed the outlook of the Islamic banking and finance, as it is not ambitiously flagged as the replacement to conventional banking, but rather an alternative for its Muslim population.

In a budget speech, the finance minister reiterated the intention of the Pakistan government to promote Islamic banking in the country while keeping in view its linkages with the global economy and existing commitments to local and foreign investors. SBP in its 2001-02 annual report stated that "The SBP is committed to promoting Islamic banking in Pakistan on a parallel basis."

The path of eliminating interest and live by a riba free economy is not misguided, as in the words of Keynes:

> "If I am right in supposing it to be comparatively easy to make capital goods so abundant, that the marginal efficiency of capital is zero, this may be the most sensible way of gradually getting rid of many of the objectionable features of capitalism... it is to our best advantage to reduce the rate of interest to that point relatively to the schedule of the marginal efficiency of the capital at which there is full employment", such as interest rate is zero.

The first part appeared in Vol 6 Issue 33, 21st August 2009 while the second part appeared in Vol 6 Issue 34, 28th August 2009

Rosmah Ismail is an executive advisor on Islamic banking, with over 20 years of experience in the financial sector. She is based in Qatar.

Why Tawarruq Needs To Go

AAOIFI and the OIC Fiqh Academy: Divergence or agreement?

By Dr Salman H Khan

Organized Tawarruq is a transaction that has been heavily used by institutions offering Islamic financial services (IIFSs) in substantial volumes for many years, largely for the purposes of liquidity management — often referred to as Commodity Murabahah — and the provision of cash-in-hand or "neutral" consumer finance.

Typically, Party A purchases a commodity on deferred payment and rapidly sells the same commodity on spot, where the seller in the first trade is supposedly a different party to the buyer in the second. As a result, Party A obtains the cash, as well as a higher debt obligation. The overall transaction will be arranged or "organized" by an IIFS.

The OIC's International Council of Fiqh Academy (ICFA) in Mecca ruled in April 2009 that Organized Tawarruq and Reverse Tawarruq were not permissible, since they were a "trick" to get cash now for more cash paid later. Reverse Tawarruq is the mirror image of Tawarruq in which the individual in question — instead of needing liquidity has excess liquidity — buys on spot at price "A" and sells on deferred at price "A + B" to make a profit of "B".

This pronouncement has stirred strong emotions. For some, it seemed to be rather hasty, not well-thought out and opposed to the needs of the Islamic finance industry. In the view of others, however, it was no less than a very welcome and long overdue breath of fresh air for the industry.

Some critics, who questioned the validity of the ICFA pronouncement, argued that the judgment goes against the ruling of the Accounting and Auditing Organization for Islamic Finance Institutions (AAOIFI) on the permissibility of Tawarruq as laid down under its Shariah Standard 30.

The view expressed in this paper is that rather than contradicting each other, AAOIFI's Shariah Standard 30 on Tawarruq and ICFA's judgment on Tawarruq are actually both in agreement with each other, even though it may not have been explicitly stated.

A closer analysis reveals that the overall structure of Organized Tawarruq as permitted by AAOIFI is a theoretical model that is rarely or virtually never followed by the industry. Realizing this fact, the ICFA passed its recent Resolution No 179 which, in effect, implicitly agrees with and reinforces AAOIFI's Shariah Standard 30. Thus, rather than there being any conflict, ICFA has simply put forward the same point of view, albeit expressed differently. In other words, the ICFA points out what *cannot* be done, while AAOIFI reaffirms this and completes the picture by explicitly outlining in AAOIFI Shariah Standard 30 what *should* be done.

ICFA's position on Tawarruq

The ICFA's Resolution 179 on Organized Tawarruq states: "It is not permissible to execute both Organized and Reverse Tawarruq because simultaneous transactions occur between the financier and the Mustawriq (the party seeking finance), whether it is done explicitly or implicitly or based on common practice, in exchange for a financial obligation. This is considered a deception, i.e. in order to get the additional quick cash from the contract. Hence, the transaction is considered as containing the element of Riba."

Clearly, the ICFA's concern is with a concealed buy-back transaction where the metal (or other commodity) is used as a prop to justify a transaction in which the real purpose is to exchange money now for more money later.

Moreover, the phrase "simultaneous transactions between the financier and the Mustawriq, whether it is done implicitly or explicitly" deliberately highlights the reality that in today's Islamic finance sphere, both transactions of purchase and sale of the Tawarruq commodity are, in effect, made between the same financier and the customer, notwithstanding cosmetic arrangements adopted by IIFSs that purport to demonstrate the use of brokers or third parties. This is "implicitly" done via various "netting arrangements".

The ICFA prohibits Tawarruq where any of the following occur:

- There are effectively only two parties and no real, unconnected third party
- There is a concealed buy-back
- The transaction is a "trick" with an embedded fixed return

Since the above three features typically characterize virtually all Organized Tawarruq transactions done by IIFSs, the ICFA holds that Organized Tawarruq should be disallowed.

AAOIFI Shariah Standard 30

The key clause in Shariah Standard 30 is Article 4/5: "The commodity (object of monetisation) must be sold to a party other than the one from whom it was purchased on deferred payment basis (third party), so as to avoid E'na which is strictly prohibited. Moreover, the commodity should not return back to the seller by virtue of prior agreement or collusion between the two parties, or according to tradition."

In practice, Article 4/5 is not followed in Organized Tawarruq. In addition to Article 4/5, Articles 4/7, 4/8, 4/9 and 4/10 (all in Standard 30) also highlight the divergence between AAOIFI's permitted Tawarruq and the Tawarruq that is typically practiced. Articles 4/7 to 4/10 say the following:

(i) The bank or its agent should not sell the commodity on the customer's behalf if the customer initially bought that commodity from the bank; neither should the bank arrange a proxy third party to sell this commodity.
(ii) Instead, the client should sell the commodity either himself or through his own agent. At the most, the bank should provide the client the information needed to sell the commodity.

In reality, AAOIFI Shariah Standard 30 is also really saying that: "Organized Tawarruq must fulfil these stringent conditions. If it doesn't, it isn't Shariah permissible and is therefore disallowed."

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Why Tawarruq Needs To Go (continued)

In short, Organized Tawarruq cannot be transacted if it does not fulfill these stringent conditions. Thus, the key conditions laid out by AAOIFI Shariah Standard 30 are that the transaction should not in essence be two-party (ignoring the "cosmetic involvement" of third parties).

It should be real, that is, the metal being traded should genuinely move from seller to buyer; there should be no "trick" or collusion involved; and hence, no fixed embedded return. These conditions actually describe a type of Tawarruq that by definition cannot be the Organized Tawarruq that is typically used in today's Islamic finance industry.

All these conditions are based on concerns that are identical or very similar to those held by the ICFA. Therefore, in actual fact, AAOIFI's Organized Tawarruq is consistent with the ICFA's implicit definition of un-organised Tawarruq. The key lies in the separation of "how it is" (therefore prohibited by ICFA) and "how it should be" (if permitted by AAOIFI).

Why Tawarruq must go

AAOIFI & ICFA's joint message: "Either do it properly, or don't do it all"

In the light of AAOIFI Standard 30, theoretically, the only way for Tawarruq to operate properly would be via three real and distinct parties, namely:

- Customer A
- Seller-1
- Buyer-1

And two distinct and unconnected sales:

- Sale-1
- Sale-2

i) Customer A buys metal on deferred payment from Seller 1 ii) Customer A takes constructive/real possession of the metal	Sale 1
iii) Customer A sells same metal to Buyer 1 (a genuine third party other than Seller 1) iv) Metal actually moves from the warehouse of Seller 1 to Buyer 1, and Buyer 1 completes possession	Sale 2

So, a key question relating to point (iv) above is: Does the commodity bought by the customer in Sale 1 (on deferred payment) eventually leave the warehouse of Seller 1, as Standard 30 clause 4/5 clearly requires?

The answer is, by and large, no. There are some reasons for this:

Firstly, the fact remains that the overall purpose of the seller in the transaction (who effectively provides the liquidity by selling on deferred payment) is:

- To advance liquidity
- To make a return on the money advanced, built into the price of Sale-1
- Not to trade, and therefore, certainly not to take on the kind of risk that is associated with normal and genuine commodity trading activities

Therefore, from the seller's point of view:

- There is no purpose or intention to physically transport any of the commodities that he holds in his warehouse
- In fact, this activity would, in the seller's view, incur unfeasibly high costs, and moreover, this is precisely not the purpose of their involvement with such liquidity provision mechanisms as Tawarruq
- Rather, this is much more similar to the provision of a loan on interest, where the metal from Sale-1 is stored as a security against the stream of receivables relating to the deferred price in Sale-2
- In case it becomes necessary to physically move the "traded" commodities in Tawarruq from one location to another, as should be done but is typically not done, this would severely restrict the total volume and profitability of Tawarruq transactions, and quite possibly may eliminate them altogether

  As an added point, virtually all banks organize the onward sale of the metal bought by the customer. This again is a violation of AAOIFI Shariah Standard 30.

Thus, having defined and implicitly agreed upon what Tawarruq should and should not look like, AAOIFI and ICFA are well aware that the reduced profitability of doing this "reformed" version of Tawarruq may well render it economically unfeasible to do Tawarruq at all. Both institutions are quite comfortable with such an eventuality: "Either do it properly, or don't do it all."

Movement of the commodity

What happens to the metal in reality? There are certain parties who are active in the Tawarruq sphere. These may be commodity trading companies who have the financial depth to hold reasonably large stocks of metal in their warehouses. Alternatively, brokers who have links with such trading companies also are active in this market.

With regard to Tawarruq, the above parties act as buyers and/or sellers often in a large number of separate transactions, and typically, they operate a netting facility between their different storage facilities. So, in reality, the metal rarely gets physically transferred from Seller 1 to Buyer 1, as it should.

Typically, at any given point in time, these parties possess a certain stock or quantity of metal. Furthermore, these parties use and reuse this same stock many times during the same day as the subject matter in numerous consecutive sales.

Therefore, almost exactly like the concept of fractional reserve banking in conventional banking, these "commodity stockers" can, for instance, hold 100 tons of metal in their warehouse valued at say US$2.5 million, and yet conduct Tawarruq transactions amounting to any multiple of that, for example US$25 or US$50 million or more. And throughout these transactions, the metal would not need to move an inch.

This is made possible because each Tawarruq transaction will normally have an implicit holding period after which it is "released" or "freed". Thus, as an example, in a standard transaction:

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Why Tawarruq Needs To Go (continued)

- 10.00am, 10th September 2009: Seller-1 books 4 tons of aluminium for a deferred sale @ US$2,500 per ton to Customer, for a US$10,000 sale
- 10.30am, 10th September 2009: Customer takes constructive possession (never sees the metal, and may at the most simply receive a certificate, usually indicating his consignment is placed in some named warehouse) and sells same aluminium to Buyer-1, for, say, an US$8,000 spot price
- 11.00am, 10th September 2009: According to the netting facility, 4 tons of aluminium are netted off between the storage facilities of Seller-1 and Buyer-1, through some direct or indirect method, without the metal needing to physically move at all.

This example clearly illustrates that that AAOIFI Shariah Standard 30 is not being followed, since there exists prior agreement or collusion between the two parties Seller-1 and Buyer-1 for such deals, and effectively the metal does return back to the original seller as per the netting arrangement. So, the ownership of the metal returns back; the metal itself, in actuality, never really moves.

Incidentally, despite having collusion between the Seller-1 and Buyer-1, which in effect contravenes Clause 4/5 of Standard 30, the above example of the sample transaction is actually a good scenario case. By implication, Seller-1 properly demarcates the four tons of metal in his warehouse to denote the customer's constructive possession, until Seller-1's netting arrangement is finalized.

Conceivably, Seller-1 would do this by putting, say, a yellow sticker with the customer's details on the relevant metal consignment to confirm the customer's ownership of that metal. Alternatively, such demarcation can also be done through a robust electronic system. Moreover, it should be noted, that each and every transaction would have to be demarcated accurately, for the correct period of time.

In practice, however, it is doubtful, that even such proper demarcation of the subject commodity occurs in the warehouse for each and every transaction as it should, since that would involve labelling (physically by warehouse staff, or electronically) the exact stock of sold metal in every case, and then de-labelling it a bit later when the netting occurs.

Thus, if any certificate of ownership is issued to the customer, it should really say something like "X kilogrammes of aluminium, type y, grade z, located in Warehouse ABC, Aisle no 34, items 709 to 720".

However, based on available evidence, what typically happens is a daily or periodic netting, in which rather than specifically identifying and subsequently "releasing" the metal for each transaction, all the transactions for a certain day are carried out without such specific demarcation, and hence even this minimal transfer of constructive ownership does not really happen in most cases.

Instead, daily net positions dictate the overall stock balances, that is, how much is encumbered and how much is free to be used for new Tawarruq transactions.

In the absence of any physical movement of the metal, it follows that Tawarruq "traders" would necessarily have to operate such a netting arrangement. It is either this, or that. No third avenue is apparent.

The three key points here, therefore, are:

- Even if <u>full and proper demarcation</u> of commodities for the correct period of ownership were to happen for all Tawarruq transactions with regard to Sale-1, this would only help towards securing Shariah compliance of Sale-1; the fact that eventually in Sale-2 the metal effectively returns to Seller-1 contravenes AAOIFI Shariah Standard 30 in any case
- However, the evidence is that in the majority of cases <u>even this initial demarcation does not happen as it should</u>; if this is also the case, then such Tawarruq transactions are rendered doubly invalid
- Although the bank is not allowed to organize the onward sale of the metal/commodity as per AAOIFI Shariah Standard 30, this happens in virtually all cases in practice

Life without Tawarruq: Points to ponder

A majority of Islamic banks conduct a large volume of Tawarruq transactions on a regular basis with regard to their treasury operations. This, in the opinion of their Shariah boards, is permitted on the basis of daroora (need), since the view is that there is no other option available.

Phasing out

As such, even if an intention were made to follow the opinion of the ICFA and AAOIFI, in practice it is doubtful that IIFSs would be in a position to stop doing their existing Tawarruq transactions immediately. Instead, even under a best-case scenario, Tawarruq would most likely need to be phased out.

However, even if Islamic banks make the intention of bringing their dealings in Tawarruq to a gradual halt, they have to demonstrate some tangible commitment and willingness to move in this direction.

The present reality of the Islamic finance industry is that levels of regulation, adherence to any kind of standards, and penalties for non-compliance are poor or non-existent, all of which suppress the incentive for IIFSs to eliminate Tawarruq (and in fact all questionable products) since it is so profitable.

Liquidity management alternatives

Since Tawarruq is extensively used by most Islamic financial institutions for liquidity management purposes, an alternative workable solution must be available in case Tawarruq is phased out. The best way out is to return to the "honesty" of a 100% cash reserve ratio, and shift

continued...

Why Tawarruq Needs To Go (continued)

the focus to genuine investment-based and profit-loss sharing products. These will rule out the need for the fractional banking system that is based on liquidity management.

However, such a move represents a paradigm shift that challenges the very basis of the existing banking structure, and would require strong political will to institute – and could quite likely occur only in conjunction with an overall philosophical review and revision of the basis and practice of the Islamic commercial industry – and while there appears to be increasing demand for such a revision (particularly in the aftermath of the recent economic crash), it is difficult to predict when this may happen.

In the more immediate future, as a parallel move, other helpful steps to assist liquidity management include improving financial markets' infrastructure to enhance the tradability of Sukuk, and using Mudarabah-, Musharakah- and Wakalah-based inter-bank deposits.

"Cash-in-hand" consumer liquidity

If Tawarruq is to be made redundant, there would be a heightened need to provide genuine Shariah-based product solutions that offer neutral liquidity or "cash-in-hand" to the client.

For such needs, Salam is probably the most genuine product that was specifically sanctioned by the Prophet precisely for meeting the liquidity needs of agricultural producers. It should be noted that Salam can comfortably be utilized outside the agricultural sector as well.

However, Salam remains grossly underused and is disliked by banks because of the perceived "price risk" associated with this product. This apprehension in using Salam persists despite the existence of various risk-mitigating tools, some of which include negotiating an initial tough Salam price, the use of Parallel Salam, and obtaining a foreign exchange promise-based currency hedge, where the good is paid for in foreign currency.

However, it remains that the very first step towards any improvement must begin with a frank, unqualified and meaningful appraisal and acknowledgement of the situation. Any corrective measures taken must necessarily be a subsequent step. This acknowledgement, it seems, cannot be readily observed at present in the Islamic finance industry.

Moving forward

Despite the perceived conflict between AAOIFI's Shariah Standard 30, which permits Tawarruq, and ICFA's ruling forbidding Organized Tawarruq, in actual fact there is no real disagreement between the two.

The key point to note is that AAOIFI permits a reformed version of Tawarruq, which is currently not practiced in the industry. By implication, therefore, AAOIFI clearly forbids the existing form of Tawarruq, as does the ICFA. So, in effect, the ICFA says, "The prevalent form of Tawarruq is impermissible", to which AAOIFI implicitly nods and adds, "If you must do Tawarruq, Shariah Standard 30 will show you how."

And by further implication, both ICFA and AAOIFI add the comment: "...although it's quite possible that if you do Tawarruq according to Standard 30, you may not want to do it at all, due to dramatically reduced profitability and feasibility concerns. This is fine too." Thus, both institutions are quite comfortable with the eradication of Organized Tawarruq as it exists presently. This sentiment is also shared by a large number of industry practitioners, Islamic economists and other stakeholders in Islamic commerce.

Dr Salman Khan is Head of Shariah of the Dubai & N.E. Office of the Shariah Division of Abu Dhabi Islamic Bank. His expertise and experience ranges across the spheres of Shariah advisory and consultancy, Shariah compliant product development and structuring and Shariah coordination. Dr Khan holds a Doctorate in Economics from Oxford University and an MPhil in Development Studies from Cambridge University.

The views expressed in this article are his own, and do not reflect the position of Abu Dhabi Islamic Bank. He can be contacted at salmikhan@gmail.com

Tawarruq: Quashing the "justification" arguments

The defenders of Tawarruq (as it is now practiced) have put forward various arguments to justify why Tawarruq should be allowed. Some of the leading justifications are critically analyzed.

Claim 1:
Tawarruq traders often buy and sell metal with physical movement of the metal and hence Tawarruq is conducted by genuine traders.

Reply:
Although some movement of metal may happen, the likelihood is that there are only two probable scenarios in which the commodity moves:

a) Some traders, apart from their Tawarruq activities, may also be genuine traders of the metal. However, the key point here is that while they may physically receive, transport, and trade metal in their other sales, *with regard to their Tawarruq transaction, the metal rarely or never moves.*

b) Alternatively, what may happen from time to time is that for a certain party, the volume of their Tawarruq transactions rises or falls, which may prompt them to buy or sell, respectively, more metal from the market for the purposes of equalizing the amount of metal stocked with the expected multiple of periodic Tawarruq transactions. So, for example, if US$1 million of stocks enables US$20 million of transactions daily, and daily "demand" goes up to US$30 million, the party would then proportionately stock US$1.5 million of metal.

However, this is hardly trade. Rather, it is stocking of sorts, where the inventory effectively acts as a security against the liquidity transactions undertaken over the relevant period. This is quite similar to the goldsmiths of the 17th century who lent out the paper claims to gold (against their gold stocks) on which they received interest.

continued...

Why Tawarruq Needs To Go (continued)

Tawarruq: Quashing the "justification" arguments (continued)

Claim 2:
Commodities are genuinely being bought and sold, and this is trade. How can trade be forbidden?

Reply:
Assume that Tawarruq happens with correct demarcation of the subject commodity vis-à-vis Sale-1 in all cases. Nevertheless, the fact remains that

- A small stock of metal of a certain value will enable Tawarruq sales of a large multiple of that value
- This will happen on a daily and repeated basis, and
- The metal does not move at all in relation to these Tawarruq sales; this renders the metal virtually irrelevant since it mainly serves as a prop to enable these monetization deals to go through

Thus, as an example, if a metal stock worth US$1 million is used to perform such Tawarruq sales worth US$30 million on a daily basis, it effectively means that the same physical stock of metal is "sold" and "resold" 30 times per day, without moving an inch.

Can anyone realistically claim that these are genuine "trade" deals?

This concern is even more valid given that they are in direct contravention of Shariah AAOIFI Standard 30 as well as the ICFA's fatwa.

Claim 3:
The criticisms of Tawarruq that "nobody wants or needs the metal", "the commodity is rendered irrelevant", and is a "fake prop" are unfair. After all, in real trade as well, all sellers buy their merchandise, not because they want it per se but, because they want to sell it and earn a profit. So, isn't their merchandise also "irrelevant", "unwanted" and a "fake prop"?

Reply:
No one claims that regular trade is "real" because genuine traders buy their merchandise for their own needs. Rather, it is real because the buyers to whom the traders sell their goods do actually need these goods for genuine consumption and usage.

Even if we assume a chain of buying and selling in real trade, the point here is that the "end" buyers will always consume or use that good. This is, by design, not the purpose in Organized Tawarruq, where the purchased commodities are stocked to facilitate the transactions without ever being delivered. To make the point clearer, if following Sale-2, Buyer-1 wants to take actual physical possession of the commodity, the Organized Tawarruq infrastructure will largely cease to be viable or profitable.

Claim 4:
The ICFA's viewpoint on Tawarruq is contradictory. Firstly, the ICFA agrees that Tawarruq on an individual level is permitted; thus, if "A" buys a commodity in the market on deferred payment and sells the same on spot, by his own efforts, then that is allowed. At the same time, the ICFA also says where the bank organizes the full Tawarruq transaction, in particular the second sale, such transactions should not be permitted. How does this represent a consistent viewpoint?

Reply:
The very basis of the opposition to Organised Tawarruq is that it is very difficult to maintain overall Shariah permissibility if the deal (especially the second sale) is organized by the IIFS, since the metal, by design, isn't meant to move, and effectively it becomes a "money now for more money later" transaction, with no real economic activity in between.

In unassisted Tawarruq, the commodity is individually bought by "A" in step 1, physically possessed by "A", and then genuinely sold to Buyer-1 so that real delivery occurs. Therefore, unassisted Tawarruq is simply a form of real trade, similar to the fruit seller buying his daily inventory in the morning from the fruit wholesale market on credit, and selling this stock during the day on cash, with the hope of making more money from his sales to earn a profit.

Claim 5:
The bank does a favour to the client by arranging the second sale in a smooth manner, which helps the client to sell his metal for the best market price possible. The customer thereby avoids potential loss that he might have faced had he executed the same deal on a personal and unassisted basis, as the bank with its strong links to the brokers, its infrastructure, and its knowledge of the market enjoys economies of operation not available to individual customers, and can pass on these lower costs to its customers.

Reply:
If the customer ends up making a loss because he engages in unassisted Tawarruq, let it occur. Unassisted Tawarruq is precisely similar to the genuine concept of trading, that is, buying and selling with the hope of making a profit.

This is an activity that will always involve risks, just as it will always provide an opportunity to profit as well. How might profit accrue? Even in unassisted Tawarruq, the liquidity achieved via Sale-2 is often used for investment or business purposes. If invested shrewdly, the returns on that investment would be higher than the liability of the deferred price of Sale-1.

Moreover, banks can hardly be credited with organizing Tawarruq because they want to help their clients avoid extra loss by enabling them to find a good price for their metal in Sale-2. In any case, even if these noble intentions existed, the avoidance of such a loss by the customer is hardly a good enough reason to permit Organized Tawarruq, which entails substantial Shariah concerns.

Instead, IIFSs in reality favor Organized Tawarruq because:

- The transactions are virtually "riskless" with "secured returns"
- Transaction costs are very low
- IIFSs are able to carry out a huge volume of transactions

continued...

Why Tawarruq Needs To Go (continued)

Tawarruq: Quashing the "justification" arguments (continued)

specifically because this Tawarruq is organized, and therefore enjoy huge profitability in such deals

It is no coincidence that the three features mentioned are also the key characteristics of the regular conventional product of a loan on interest. This, then, is also an additional source of unease for those not in favor of Organized Tawarruq.

Claim 6:
Organized Tawarruq transactions are sound, with proper constructive possession and transfer of ownership at the right time.

Reply:
There are a few select brokers who carry out very large volumes of Tawarruq transactions to service the liquidity management needs of many major Islamic banks. A little-known fact relates to perhaps the most well-known broker/player in the Tawarruq market.

The clearing system used by this major broker is such that it is logistically impossible to transfer ownership following Sale-1 prior to executing Sale-2 (that is, the broker's system physically does not allow it). This clearly renders all intended Tawarruq transactions carried out by this major broker as fundamentally invalid, even within the highly generous and flexible space being afforded to Tawarruq in the current financial framework.

It follows, therefore, that if a leading player is doing this, it should be of little surprise if the smaller players are also unable and unwilling to make sure that Tawarruq is followed even vis-à-vis Sale-1. Indeed, AAOIFI's Shariah Standard 30 would seem to be a distant mirage that carries little attraction of pursuing it.

The current financial, regulatory and legal infrastructure for Islamic financial institutions is more or less largely voluntary, such that very few penalties apply to institutions that do not follow the AAOIFI Standards, or any other set of Shariah-related rules or standards.

Until a regulatory system is meaningfully enforced where penalties of non-compliance actually hurt, it is rather futile to expect IIFSs to change any of their past patterns of behavior. Such enforcement, again, is largely dependent on both political will and vision. In the present set-up, these are rare commodities in the industry.

Has the inherent conservatism of many Islamic banks caused them to hoard cash, thereby restraining their growth and holding the industry back? Worse, is this harming the recovery?

It is a sound decision to hoard cash by many Islamic banks, especially when the global economy is in a recession. I believe it is a unique time for these Islamic banks to review their policies and make a paradigm shift towards investments in countries like Turkey.

HH Sheikh Hamad Khalifa al-Thani, the Emir of Qatar, visited Istanbul last month to explore investment opportunities in agriculture and animal health, as the country's leadership welcomes Arab investors. Indeed, Islamic banks can utilize their surplus funds effectively for the development of human capital in view of Turkey's sound economic policies and strategic leadership, which looks to the East now.

DR SAAD AL-HARRAN: Specialist in Islamic finance and venture capital, Brunei Darussalam

Islamic banks have historically had excess liquidity, as they have been very successful in attracting deposits but less successful in identifying financing opportunities. Islamic bankers are risk averse, but this was just as well given how the global financial crisis evolved during 2008.

Now that most countries are in the recovery phase, there is more justification for taking risks. However, clients should have sound business plans and realistic cash flow projections.

The techniques for evaluating risks by Islamic banks are similar to those for conventional banks. While increased financing can help boost economic activity, Islamic banks also have to safeguard their own positions. Given continuing global economic uncertainties, caution is, in my view, justified.

PROFESSOR RODNEY WILSON: Director of postgraduate studies, Durham University, UK

It is of course not just Islamic banks who are hoarding cash, as completely useless quantitative easing has led to the hoarding of cash by conventional banks on a cosmic scale. The nature of Islamic banking, however, is such that they are more risk averse and conservative than conventional credit institutions.

The answer to the questions is that there is nothing whatever that Islamic or conventional credit institutions can do to improve the situation, within a deficit-based monetary system at least, because the underlying problem is not a shortage of credit, but a shortage of creditworthy projects and people.

Once again, wealth has become unsustainably concentrated in too few hands — as it has periodically for thousands of years — through the toxic combination of compounding interest on debt, and private property in land.

There is no monetary solution; the only solution is systemic fiscal reform. The good news for Islamic banks is that they can play a key role as service providers in the reform process.

CHRIS COOK: Principal, Partnerships Consulting

The hoarding of cash by Islamic banks is not solely caused by their conservatism, but is also the result of an absence of alternative products in which to invest. This lack of alternative products, coupled with a reduction in availability of common Islamic financial instruments (Sukuk issuance dipped to an all-time low during the second half of 2008 and the first half of 2009), has not made the situation any better.

The current economic climate is also a contributing factor, given that cash is typically seen as a defensive asset class. This has resulted in banks, institutions and individuals retaining higher levels of cash balances.

Many companies with historically good credit ratings are currently seeking to establish new banking relationships, given that their current banks and many of the larger financial institutions are not in a position to lend. For Islamic banks with substantial available funds (a rarity

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in today's market), this may provide significant opportunities to extend their client base and expand their investment options while assisting their local economy.

DR NATALIE SCHOON: Head of product management, Bank of London and the Middle East

The hoarding of cash by these Islamic banks is a temporary measure. In Islamic jurisprudence, if cash is held for a full calendar year, Zakat or compulsory charity of 2.5% will be due on Muslim-owned institutions.

For the last 14 centuries, these requirements have enabled the flow of cash into society that has encouraged trade and commerce versus the hoarding of cash. The central government has encouraged this movement of cash by flooding the market with more capital, which will further stimulate it.

As opportunities arise in the marketplace with supply and demand forces at play, the situation will resolve itself.

OMAR KALAIR: President and CEO, UM Financial Canada

Next Forum Question

As recent defaults have marred the Islamic finance industry, and question marks loom over other past issuances, transparency remains a great concern. How reliable are credit ratings within the Islamic finance industry? Are the current methodologies adopted adequate and what could and should be introduced to improve this?

If you would like to air your views on the next Islamic Finance Forum Question, please email your response of between 50 and 300 words to Christina Morgan, Forum Editor, at: Christina.Morgan@REDmoneygroup.com before Wednesday, 16th September 2009.

Islamic Finance *news* talks to leading players in the industry

Name: Richard Thomas

Position: CEO

Company: Gatehouse Bank

Based: London

Could you provide a brief journey of how you arrived where you are today?

To date, I have about 30 years experience in the field of Shariah compliant finance. I was first introduced to Islamic finance when I was with Saudi International Bank in London.

My initial attraction to Islamic finance was based on the structural advantages of the Islamic products I was dealing in. I found that the Islamic economic model was much more appealing than the conventional debt models, so I made the decision to turn my career over to Islamic finance.

Prior to joining The Securities House group of companies, I have held senior positions related to Islamic financial services at Arab Banking Corporation in London and United Bank of Kuwait.

What does your role involve?

Up till very recently, I was the managing director of GSH (UK) and chairman of Gatehouse Bank, where my role was related to the strategy of managing the board of directors.

As The Securities House has brought together its two London-based subsidiaries, Gatehouse Bank and GSH UK, into one organization under the Gatehouse Bank brand, I am now the CEO of the wider organization.

What is your greatest achievement to date?

I would have to say that the achievement of the license for Gatehouse Bank would have to stand out as an achievement of a lifetime.

Which of your products/services deliver the best results?

Perhaps the product that would most stand out in people's minds when they look at our product offering at the moment and the one I would say is the most unique, would have to be the sustainable water equity fund.

Gatehouse teamed up with Swiss fund management company Sustainable Asset Management for the first ever Shariah compliant water-focused investment strategy fund aimed at helping solve the global water shortage crisis and meet the growing demand for water investments. I believe it is one of the most innovative investment products that we've seen in the Islamic finance sector in quite a while.

While all of our products/services have their own characteristics, however if I was looking from the outside in, I would probably pick out the water fund as the most exciting.

What are the strengths of your business?

I am extremely proud of the depth of talent we have in the organization. Gatehouse has managed to put in place a unique Shariah advisory and Shariah compliance team, right here in London.

The team combines expert Shariah advice with the technical and multi-disciplinary support of an investment bank, providing Shariah services in three core areas: Shariah advisory, Shariah audit and compliance, and Shariah training and research.

Also, by combining the strength of Gatehouse Bank in capital markets services and GSH UK's skills in asset and fund management, it will create an even stronger business organization with which to approach the growing opportunities in Shariah compliant financial markets, both in London and worldwide.

What are the factors contributing to the success of your company?

Gatehouse Bank has built an enviable depth of professional talent and a reputation for probity in matters of Shariah compliance. We have proven that the team has the ability to originate and deliver products quickly to meet client demand. The water equity fund is an extremely good example of that.

I would also like to highlight the commitment, support and confidence of our shareholders.

What are the obstacles faced in running your business today?

The biggest obstacle to financial services companies, whether conventional or Islamic, is their ability to build capacity through the engagement of counterparties by way of syndicated finance. That is an obstacle that has hit the conventional markets harder than Islamic.

The other area of challenge is the need for a greater balance between the innovation of products and consistency of Shariah interpretation. Standardization is a challenge because the simple solution of standardizing towards the least controversial practices may stifle innovation. The challenge is in getting that balance right.

Where do you see the Islamic finance industry in, say, the next five years or so?

Five years could see a total transformation of the Islamic financial market. The market will be stronger and bigger than it is today as it will attract more and more people. We could also see a coming together of the Western, GCC and Malaysian Islamic financial markets.

Name one thing you would like to see change in the world of Islamic finance.

I believe that the economic model that supports the Shariah compliance business is actually a superior model. The correct application of Shariah principles is much less risky, and more advantageous and rewarding when compared to the conventional system. I'd like to see people engaged in the Islamic finance industry become more confident in the advantages of this economic model.

Makro Utama's Sukuk

ISSUER	Makro Utama
PRINCIPAL ACTIVITIES	Makro Utama is a special-purpose vehicle set up by Redmax, a construction and engineering company, for a flood mitigation project in Sungai Muda in the Malaysian state of Kedah. The RM402.9 million (US$113.82 million) project was awarded by the Malaysian Federal Government and will take four years from May 2008 to complete.
UTILIZATION OF PROCEEDS	The proceeds from the issuance will be used to repay Redmax's existing borrowings, part of which were incurred in relation to the expenses of the project, while the remainder will be used to fund the company's working capital requirements. The utilization of proceeds will be used for Shariah compliant purposes only.
ISLAMIC PRINCIPLE USED	Istisna
DATE OF ISSUANCE	20th August 2009
PRINCIPAL ADVISOR/ LEAD ARRANGER	Kenanga Investment Bank
SOLICITORS	Murad Yee Partnership (due diligence), Zaid Ibrahim & Co (documentation) and Shaik Mohamed & Co (solicitors to Redmax)
TRUSTEE	AmTrustee
FACILITY AGENT	Kenanga Investment Bank
SHARIAH ADVISOR	Dr Mohd Daud Bakar
CENTRAL DEPOSITORY	Bank Negara Malaysia
PAYING AGENT	Bank Negara Malaysia
REPORTING ACCOUNTANT	Moores Rowland
ISSUING AGENT	Kenanga Investment Bank
SECURITY TRUSTEE	AmTrustee
ISSUE SIZE	Up to RM100 million (US$28.3 million) nominal value
ISSUE PRICE	The Istisna Sukuk shall be issued at par
TENOR	(see table below)
RATING	Malaysian Rating Corporation (MARC) has assigned the Istisna Sukuk an indicative rating of 'A+$_{ID}$'

TENOR:

SERIES	AMOUNT	TENOR (YEARS)
1	RM25 million (US$7.1 million)	2.0
2	RM20 million (US$5.65 million)	2.5
3	RM20 million (US$5.65 million)	3.0
4	RM20 million (US$5.65 million)	3.5
5	RM15 million (US$4.23 million)	4.0

For more termsheets, visit www.islamicfinancenews.com

ADIB

UAE: Abu Dhabi Islamic Bank (ADIB) has appointed Nawal Al Bayari as vice-president and head of business for its Ladies Banking division. She will ensure the development of products and improve the delivery of services specifically for the bank's female customers.

Nawal has been in the industry for a decade in top-tier banks such as Barclays, Dubai Islamic Bank, Standard Chartered Bank and American Express, being involved in areas such as wealth management, private and premier banking as well as Islamic banking.

DUBAI HOLDING

UAE: Dubai Holding, which is in the process of realigning its business into four separate areas (also known as "verticals") in a bid to streamline operations, has announced its first set of leadership appointments.

Former Dubai Properties Group executive chairman Hashim Al Dabbal has been appointed executive chairman of the newly-created firm Property Vertical, a merger between subsidiaries Tatweer, Sama Dubai and Dubai Properties.

Tatweer's former CEO Khalid Al Malik has been appointed Property Vertical's Group CEO, while Dr Muhadditha Al Hashimi will take his place as Tatweer's acting CEO. Former Tatweer Investment's CEO Ahmad Sharaf will now lead Dubai Holding's corporate strategy office while former Dubai Properties Group CEO Mohamed Binbrek has been moved to Dubai Holding's corporate office to lead its newly created infrastructure division.

NOMURA

JAPAN: Nomura has poached Citi's senior investment banker, Dan McNamara to head its financial institutions group (FIG) investment banking for Asia-Pacific ex-Japan and co-head corporate finance. The bank has also created three senior positions in Australia for Ian Maxton, Ed de Salis and John Hanson.

Dan McNamara was head of both the financial institutions group and real estate at Citi. He has also held other key positions at the bank, including co-head of investment banking for Asia Pacific together with Mark Renton. Ian Maxton joins the firm as managing director and head of financial Institutions, investment banking, for Australia. He was previously vice-chairman of global banking for Australia at Deutsche Bank.

Ed de Salis is the executive director and head of the risk solutions group for Australia. He hails from the Bank of Scotland where he structured and marketed derivatives solutions. John Hanson has been hired as the head of M&A for Australia. Previously, he was the head of M&A at Merrill Lynch and has also worked with Citi and Deutsche Bank.

CITIBANK

SINGAPORE: Citigroup's Piyush Gupta has been appointed CEO of DBS Group, replacing Richard Stanley who died of leukemia in April. He will start with DBS on 15th November but his appointment is subject to regulatory approval.

Piyush, who has been with Citi for 27 years, will be DBS's second CEO from Citi after Stanley. A graduate from the prestigious Indian Institute of Management in Ahmedabad, his last role in Citi was to oversee its operations in Southeast Asia and Australasia. He is credited with building Citi's Malaysia branch network and helping Indonesia restructure its debts after the Asian financial crisis more than 10 years ago.

HSBC

UAE: HSBC Bank Middle East has appointed David Hunt head of insurance for the Middle East. Hunt will oversee all HSBC insurance businesses across the Middle East region, including Saudi Arabia and Egypt.

He is also responsible for the provision of insurance products and services for all of HSBC's personal and commercial customers, including the development of its Shariah compliant Takaful business. Before this, Hunt was managing director of SABB Takaful Company, a joint venture between the HSBC Group and SABB.

GLOBAL

KUWAIT: Global Investment House (Global) has appointed Khaled Abdel Rahman Khaled senior vice-president to head the brokerage business in the Gulf region as part of its efforts to play a larger role in brokerage in the region, a service it started in the beginning of 2008 when it set up and acquired brokerage companies in leading financial markets in the Middle East North Africa (MENA) region.

Khaled has extensive experience in this area. He was the executive general manager for the National Bank of Abu Dhabi brokerage arm and before that, in charge of market operations, surveillance, membership and market control at the Egyptian Stock Exchange. Before the stock exchange, Khaled was director of EFG Hermes' trading department in and he has also served in various capacities in the treasury and dealing room at Commercial International Bank.

ITHMAAR BANK

BAHRAIN: Ithmaar Bank has appointed Mohamed Hussain its new CEO succeeding Michael P Lee who is leaving to become the CEO of InfraCapital in Dubai. InfraCapital is the Gulf Cooperation Council (GCC)'s first investment bank specializing in tailored infrastructure development finance. Both Hussain and Lee will retain their board memberships at Ithmaar Bank.

Hussain was previously the bank's co-CEO and board member. Before that, he was the chief executive and a board member of Shamil Bank, a wholly-owned subsidiary, where he played an instrumental role in building Shamil into a leading Bahrain-based Islamic retail and commercial bank.

Hussain currently serves on a number of boards including those of BBK, Faisal Private Bank (Switzerland), Faysal Bank (Pakistan), Faisal Islamic Bank of Egypt, First Leasing Bank, Solidarity, Naseej, Ithraa Capital (Saudi Arabia), Emerging Markets Partnership (Bahrain) and CITIC International Assets Management (Hong Kong).

STANDARD CHARTERED

SINGAPORE: Standard Chartered has hired TS Shankar to head its transaction banking for clients in Southern Asia. He will lead a team of 40 to focus on growing business in Southeast Asia, Australia and New Zealand as well as India, Sri Lanka and Bangladesh.

With 19 years experience in the banking industry, Shankar joins from Bank of America, where he was a senior vice-president based in Singapore, responsible for providing global product solutions, including transaction services for financial institutions in Southeast Asia, Japan, India, Australia and New Zealand. He was also a relationship manager for financial institutions in India and held positions in the non-resident Indian business.

continued...

SHUAA CAPITAL

UAE: Sameer Al Ansari has been appointed as CEO of Shuaa Capital with effect from the 1st September 2009, replacing Iyad Duwaji, after a company owned by Dubai's ruler acquired a 48.4% stake in Shuaa. Al Ansari will remain as executive chairman of Dubai International Capital (DIC), a private equity investor controlled by the emirate's ruler.

The management change follows the resolution of a dispute between Shuaa and Dubai Banking Group, an investment firm owned by Sheikh Mohammed Rashid Al-Maktoum over an AED1.5 billion (US$408 million) in June.

Dubai Banking bought Shuaa's bonds in November 2007 when the investment bank was benefiting from an economic boom led by real-estate and commodity prices. Shuaa said it received regulatory approval to issue new shares to Dubai Banking. Shuaa, which fired its chief financial officer Michael Burgess in May, was forced to renegotiate terms of the bond with Dubai Banking after its shares plunged. Duwaji resigned for personal reasons and will continue to be a board member.

FRF

MALAYSIA: Ali Abdul Kadir has been appointed as chairman of the Financial Reporting Foundation (FRF), a statutory body that oversees the operations and performance of the Malaysian Accounting Standards Board (MASB). He succeeds Johan Roslan, whose term has ended. A member of FRF from March 1999 to February 2004, Ali has served as chairman for Ernst & Young and the Securities Commission. He was also the CEO of the Dubai Investment Group for the Asia region.

His new role will focus mainly on Islamic finance, as FRF and MASB play their part in establishing Malaysia as a global Islamic finance powerhouse by leading the development of a global approach to accounting for Islamic transactions within the International Financial Reporting Standards framework. MASB has the sole responsibility to issue approved accounting standards for application in Malaysia.

SAMA

SAUDI ARABIA: King Abdullah has appointed Abdulrahman Al Humaidi as deputy governor of Saudi Arabian Monetary Agency (SAMA). His appointment was widely expected after ex-deputy governor Muhammad Al Jasser was promoted to governor in February. Humaidi was previously SAMA's deputy governor for technical affairs, a job that allowed him to supervise the banking sector, insurance firms as well as research at SAMA.

The appointment comes as SAMA faces one of its toughest tests yet as it deals with the fallout from the financial troubles of private conglomerates Ahmad Hamad Algosaibi and Bros Group (AHAB) and Saad Group. Saad and Algosaibi are embroiled in a legal battle in the US after defaulting on debts, with some bankers warning the total cost of write downs may hit US$22 billion and affect around 120 banks.

Deal tracker

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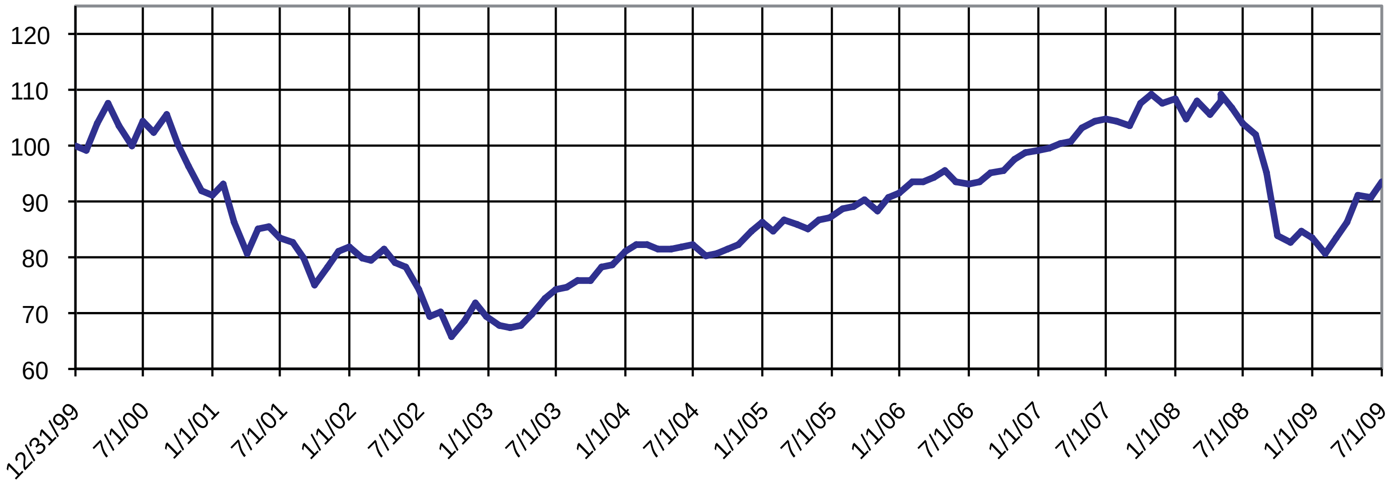
Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Terengganu Investment Authority	US$1.42	Islamic medium-term notes
Dubai Department of Finance	US$10 billion	Sukuk
Sakana Holistic Housing Solutions	US$50	Sukuk
Dar-Al Dhabi Holding	US$346.4	Sukuk
Unicorn Investment Bank	US$425	Sukuk Ijarah
Tourism Development and Investment Company	TBA	Sukuk
Islamic Bank of Thailand	US$1.4 billion	Sukuk
HSBC	TBA	Sukuk
Majlis Bandaraya Melaka Bersejarah	US$27.63	Sukuk
Qatar Gas Transport Company	Up to US$500	Sukuk
Islamic Development Bank	US$500	Sukuk
Cagamas	US$1.1 billion	Sukuk
Bank Negara Indonesia	US$50	Sukuk
Japan Bank for International Cooperation	US$200	TBA
Agni	US$71	Sukuk
Bakrieland Development	Up to US$101	Sukuk
City Development	US$708.32	Sukuk
Malaysian Debt Ventures	Up to US$449.07	Sukuk
Bumiputra-Commerce Holdings	US$572.18	Sukuk
Islamic Bank of Thailand	US$178.77	Ijarah
ETA Star Property Developers	Up to US$150	Sukuk
Abu Dhabi Commercial Bank	US$1.07 billion	Islamic MTN
Metrodata	US$10,703.00	Ijarah
First Fidelity	US$2.9	Diminishing Musharakah
Prolintas	US$187	US$93.5 million senior Ijarah, US$93.5 million junior Musharakah
Qatar Islamic Bank	US$300	Sukuk
Barwa Real Estate	US$800	Sukuk
Tabreed	Up to US$500	Sukuk

For more details and the full list of deals visit
www.islamicfinancenews.com

Eurekahedge Global Islamic Fund Index



Monthly returns for Developed Markets funds (as of the 2nd September 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	IPB Syariah	Kresna Graha Sekurindo	19.31	Indonesia
2	Syariah Fortis Pesona Amanah	Fortis Investments	18.64	Indonesia
3	Manulife Dana Ekuitas Syariah	Manulife Aset Management Indonesia	18.45	Indonesia
4	Mandiri Investa Atraktif - Syariah (Mitra Syariah)	Mandiri Manajemen Investasi	17.31	Indonesia
5	TRIM Syariah Saham	Trimegah Securities	14.57	Indonesia
6	Mandiri Investa Syariah Berimbang	Mandiri Manajemen Investasi	14.13	Indonesia
7	TRIM Syariah Berimbang	Trimegah Securities	13.98	Indonesia
8	CIMB Islamic Asia Pacific Equity	UOB Asset Management	13.54	Malaysia
9	MAAKL Shariah Asia-Pacific	MAAKL Mutual	13.50	Malaysia
10	Prudential Asia Pacific Shariah Equity	Prudential Fund Management	12.54	Malaysia
	Eurekahedge Islamic Fund Index*		**5.98**	

Monthly returns for Emerging Markets funds (as of the 2nd September 2009)

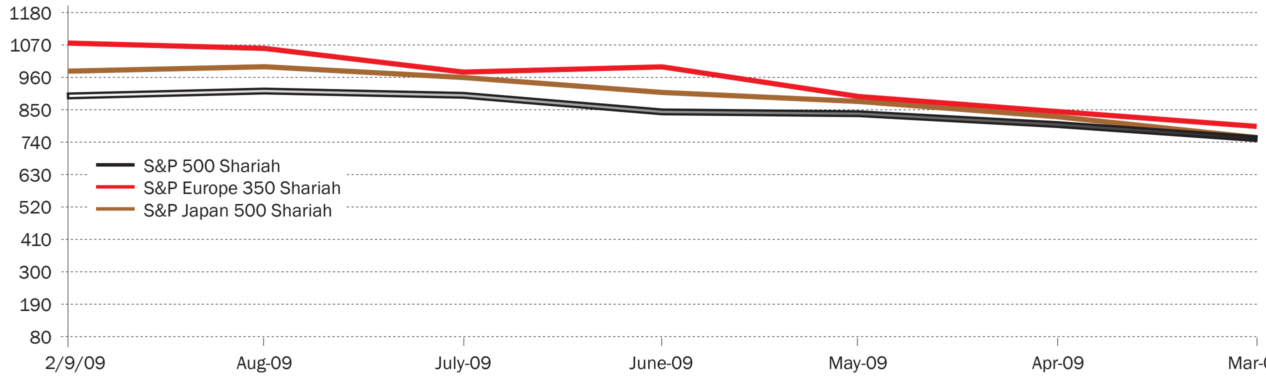
	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Al Mubarak Global Equity	Arab National Bank	9.51	Saudi Arabia
2	Pacific Dana Dividen	Pacific Mutual	9.35	Malaysia
3	Oasis Crescent Global Equity	Oasis Global Management Company (Ireland)	8.73	Ireland
4	Al Dar World Equities	Pictet Asset Management UK	7.78	Luxembourg
5	BNP Paribas Islamic Equity Optimiser - Classic	BNP Paribas Asset Management	7.76	Luxembourg
6	Global Equity Trading - Manal	Samba	7.60	Saudi Arabia
7	EasyETF DJ Islamic Market Titans 100	BNP Paribas Asset Management	7.47	France
8	Oasis Crescent Global Property Equity	Oasis Global Management Company (Ireland)	7.39	Ireland
9	SWIP Islamic Global Equity Fund - Class A	Scottish Widows Investment Partnership	7.37	UK
10	UBS Islamic Fund - Global Equities (USD)	UBS Islamic Management Company	7.35	Luxembourg
	Eurekahedge Global Islamic Fund Index*		**3.18**	

EUREKAHEDGE

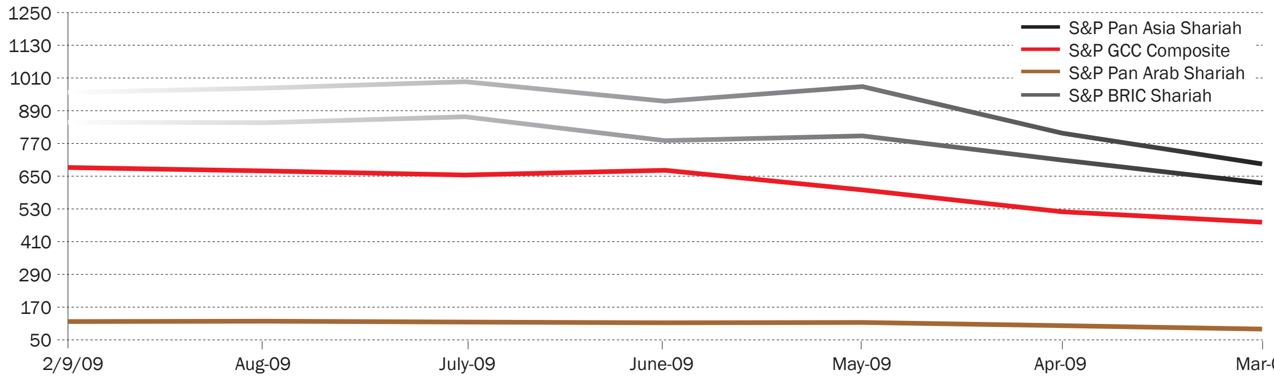
Contact Eurekahedge
To list your fund or update your fund information: islamicfunds@eurekahedge.com
For further details on Eurekahedge: information@eurekahedge.com
Tel: +65 6212 0900

EUREKAHEDGE

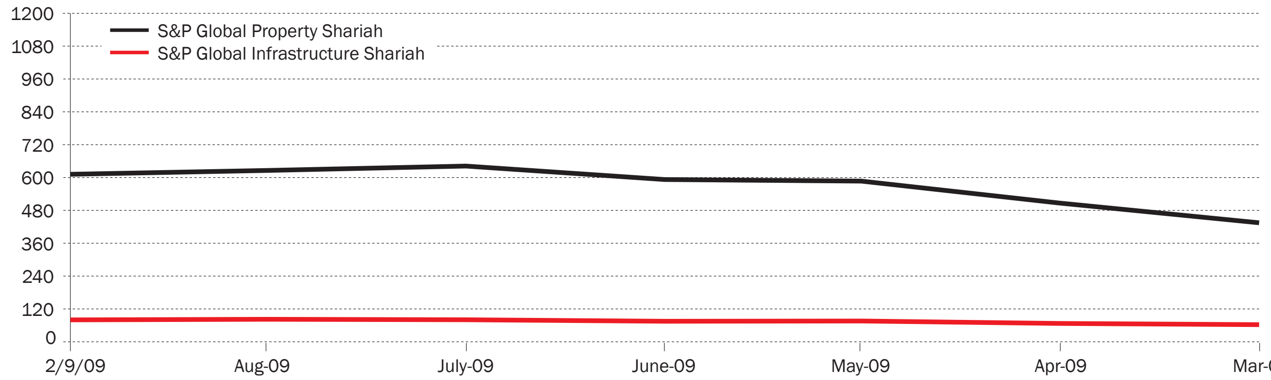
S&P Shariah Indices Price Index Levels



Index Code	Index Name	2/09/09	Aug-09	July-09	June-09	May-09	Apr-09	Mar-09
SPSHX	S&P 500 Shariah	897.005	913.542	899.016	842.797	836.573	799.755	752.048
SPSHEU	S&P Europe 350 Shariah	1076.311	1058.270	977.823	995.630	894.958	843.893	793.619
SPSHJU	S&P Japan 500 Shariah	980.960	996.042	959.584	908.760	878.263	826.363	755.552



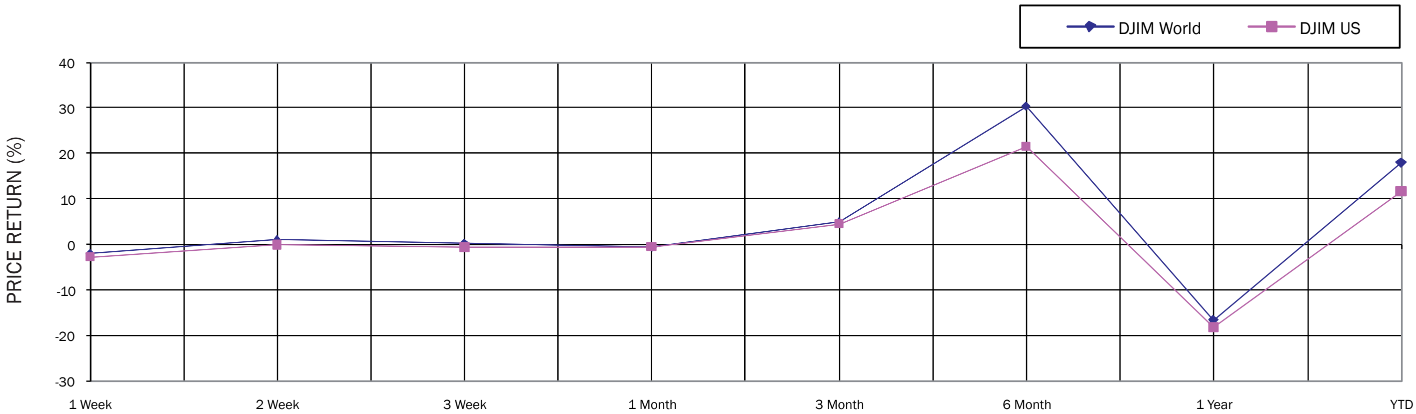
Index Code	Index Name	2/09/09	Aug-09	July-09	June-09	May-09	Apr-09	Mar-09
SPSHAS	S&P Pan Asia Shariah	847.613	846.106	867.704	780.340	797.647	708.922	624.982
SPSHG	S&P GCC Composite Shariah	681.815	669.202	654.208	671.614	599.648	519.529	481.323
SPSHPA	S&P Pan Arab Shariah	117.139	118.463	115.322	112.643	113.860	102.133	89.561
SPSHBR	S&P BRIC Shariah	956.771	973.014	996.242	924.814	978.497	807.592	694.799



Index Code	Index Name	2/09/09	Aug-09	July-09	June-09	May-09	Apr-09	Mar-09
SPSHGU	S&P Global Property Shariah	611.910	625.881	641.907	592.683	586.922	506.477	434.684
SPSHIF	S&P Global Infrastructure Shariah	80.096	82.238	80.488	75.034	75.918	66.983	62.583

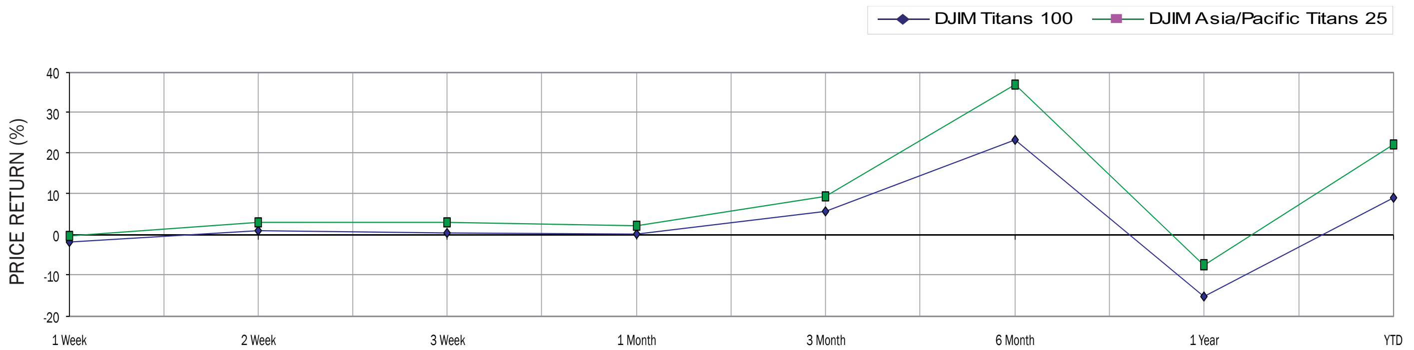
Data as of the 2nd September 2009

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	-2.07	0.89	0.11	-0.60	4.75	30.39	-16.63	18.01
DJIM US	-2.73	-0.08	-0.70	-0.51	4.49	21.58	-18.16	11.65

PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	-1.80	1.17	0.60	0.09	5.70	23.44	-15.11	9.00
DJIM Asia/Pacific Titans 25	-0.48	2.95	3.05	2.00	9.41	37.04	-7.42	22.27

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2383	13902.79	10944.76	4.59	0.91	336.92	0.00	3.08	0.00
DJIM US	603	6115.26	5717.03	9.48	2.25	336.92	0.13	5.89	0.00
DJIM Titans 100	100	6272.18	5593.85	55.94	40.14	313.43	11.84	5.60	0.21
DJIM Asia/Pacific Titans 25	25	960.13	646.7	25.87	18.36	76.97	11.84	11.90	1.83

Mean, median, largest, smallest and component weights are based on float adjusted market capitalization, not full market capitalization.

For more information, please visit **www.djislamicmarkets.com** or contact

Anthony Yeung
Regional Director
Hong Kong, China, Philippines, Taiwan, Korea, Japan, Australia & New Zealand
Tel: +852 2831 2580
Anthony.yeung@dowjones.com

Ariff Sultan
Business Development Director
Malaysia, Singapore, Indonesia, India, Thailand, Pakistan, Sri Lanka & Bangladesh
Tel: +65 6415 4262
ariff.sultan@dowjones.com

Sumeet Nihalani
Senior Director Sales
Middle East
Tel: +971 4364 4968
sumeet.nihalani@dowjones.com

DOWJONES

TOP ISSUERS OF ISLAMIC BONDS							SEP 2008 – SEP 2009
	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Saudi Electricity	Saudi Arabia	Sukuk	1,867	1	15.8	HSBC, Samba Financial Group
2	Petronas Global Sukuk	Malaysia	Ijarah	1,498	1	12.6	Morgan Stanley, CIMB, Citigroup
3	Terengganu Investment Authority	Malaysia	Murabahah	1,422	1	12.0	AmInvestment
4	Kingdom of Bahrain	Bahrain	Sukuk Ijarah	750	1	6.3	Deutsche Bank, HSBC, Calyon
5	Republic of Indonesia	Indonesia	Sukuk Ijarah	650	1	5.5	Standard Chartered, HSBC, Barclays Capital, (Persero) Danareksa, Trimegah Securities, Bank Mandiri
6	Cagamas	Malaysia	Murabahah MTN	647	5	5.5	Standard Chartered, AmInvestment, Maybank Investment Bank, HSBC, CIMB, RHB Capital
7	Khazanah Nasional	Malaysia	Sukuk Musharakah	601	3	5.1	CIMB, AmInvestment, Maybank Investment Bank
8	Danga Capital	Malaysia	Sukuk Musharakah	444	1	3.8	CIMB, AmInvestment
9	Penerbangan Malaysia	Malaysia	Murabahah MTN	411	1	3.5	HSBC, CIMB Group, AmInvestment
10	Rantau Abang Capital	Malaysia	Sukuk Musharakah	381	1	3.2	CIMB
11	Islamic Republic of Pakistan	Pakistan	Sukuk	350	3	3.0	Standard Chartered, Dubai Islamic Bank Pakistan
12	RIM City	Malaysia	Bai Bithaman Ajil MTN	277	2	2.3	CIMB
13	Seafield Capital	Malaysia	Sukuk Musharakah	269	1	2.3	CIMB
14	Saudi Hollandi Bank	Saudi Arabia	Sukuk	207	1	1.7	Saudi Hollandi Bank
15	Dar Arkan Real Estate Development Company	Saudi Arabia	Ijarah	200	1	1.7	HSBC, Samba Financial Group
16	MISC	Malaysia	Murabahah MTN	196	1	1.7	HSBC, CIMB, AmInvestment
17	Projek Lintasan Shah Alam	Malaysia	Murabahah MTN	174	4	1.5	RHB Capital
18	PLUS SPV	Malaysia	Sukuk Musharakah	151	1	1.3	BIMB Holdings, CIMB
19	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	149	2	1.3	AmMerchant Bank, Bank Muamalat Malaysia, RHB Investment Bank, MIMB Investment Bank
20	Malaysia Debt Ventures	Malaysia	Murabahah MTN	145	1	1.2	Bank Islam Malaysia, RHB Investment Bank, CIMB
	Total			**11,850**	**66**	**100.0**	

For all enquires regarding the above information, please contact:

Jennifer Cheung (Media Relations)
Email: Jennifer.Cheung@Dealogic.com
Phone: +852 2804 1223

TOP ISSUERS OF ISLAMIC BONDS							JUNE 2009 – SEP 2009
	Issuer or Group	**Nationality**	**Instrument**	**Amt US$ m**	**Iss.**	**%**	**Manager**
1	Saudi Electricity	Saudi Arabia	Sukuk	1,867	1	37.65	HSBC, Samba Financial Group
2	Petronas Global Sukuk	Malaysia	Sukuk Ijarah	1,498	1	30.22	Morgan Stanley, CIMB Group, Citigroup
3	Kingdom of Bahrain	Bahrain	Sukuk Ijarah	750	1	15.13	Deutsche Bank, HSBC, Calyon
4	Cagamas	Malaysia	Murabahah MTN	335	2	6.76	HSBC, CIMB, RHB Capital
5	Khazanah Nasional	Malaysia	Sukuk Musharakah	214	1	4.31	CIMB, AmInvestment, Maybank Investment Bank
6	MISC	Malaysia	Murabahah MTN	196	1	3.96	HSBC, CIMB, AmInvestment
7	Talam Corporation	Malaysia	Sukuk	38	1	0.77	RHB Capital
8	Makro Utama	Malaysia	Sukuk Istisna	28	1	0.57	Kenanga Investment Bank
9	Bakrieland Development	Indonesia	Sukuk Ijarah	15	1	0.30	Madani Securities, Bahana Securities
10	Tanjung Langsat Port	Malaysia	Sukuk Musharakah	11	1	0.23	Malaysian Industrial Development Finance
11	Serrisa Sinar	Malaysia	Murabahah MTN	3	1	0.06	MIDF Amanah Investment Bank
12	TSH Sukuk Ijarah	Malaysia	Sukuk Ijarah MTN	3	1	0.05	OSK Asia Securities
	Total			**4,958**	**13**	**100.00**	

ISLAMIC BONDS				SEP 2008 – SEP 2009
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	2,936	28	24.8
2	AmInvestment	2,090	13	17.6
3	HSBC	1,900	12	16.0
4	Samba Financial Group	1,033	2	8.7
5	Morgan Stanley	499	1	4.2
5	Citigroup	499	1	4.2
7	Standard Chartered	490	7	4.1
8	RHB Capital	383	10	3.2
9	Maybank Investment Bank	291	10	2.5
10	Deutsche Bank	250	1	2.1
10	Calyon	250	1	2.1
12	Barclays Capital	217	1	1.8
13	Saudi Hollandi Bank	207	1	1.7
14	BIMB Holdings	178	4	1.5
15	Dubai Islamic Bank Pakistan	175	3	1.5
16	Malaysian Industrial Development Finance	86	6	0.7
17	Bank Muamalat Malaysia	84	3	0.7
18	EON Bank	66	3	0.6
19	Oversea-Chinese Banking	55	1	0.5
20	OSK Securites Hong Kong	31	2	0.3
	Total	**11,850**	**66**	**100.0**

ISLAMIC BONDS BY COUNTRY			SEP 2008 – SEP 2009
	Amt US$ m	Iss.	%
Malaysia	7,714	54	65.1
Saudi Arabia	2,273	3	19.2
Indonesia	762	5	6.4
Bahrain	750	1	6.3
Pakistan	350	3	3.0
Total	**11,850**	**66**	**100.0**

ISLAMIC BONDS BY CURRENCY			SEP 2008 – SEP 2009
	Amt US$ m	Iss.	%
Malaysian ringgit	6,216	53	52.5
US dollar	2,898	3	24.5
Saudi Arabian riyal	2,273	3	19.2
Pakistan rupee	350	3	3.0
Indonesian rupiah	112	4	1.0
Total	**11,850**	**66**	**100.0**

ISLAMIC BONDS				JUNE 2009 – SEP 2009
	Manager or Group	Amt US$ m	Iss.	%
1	HSBC	1351	4	27.3
2	CIMB	946	5	19.1
3	Samba Financial Group	933	1	18.8
4	Morgan Stanley	499	1	10.1
4	Citigroup	499	1	10.1
6	Deutsche Bank	250	1	5.0
6	Calyon	250	1	5.0
8	RHB Capital	103	2	2.1
9	AmInvestment	65	1	1.3
10	Kenanga Investment Bank	28	1	0.6
11	Malaysian Industrial Development Finance	14	2	0.3
12	Madani Securities	7	1	0.2
12	Bahana Securities	7	1	0.2
14	OSK Securites Hong Kong	3	1	0.1
	Total	**4,958**	**13**	**100.0**

ISLAMIC BONDS BY COUNTRY			JUNE 2009 – SEP 2009
	Amt US$ m	Iss.	%
Malaysia	2,326	10	46.9
Saudi Arabia	1,867	1	37.7
Bahrain	750	1	15.1
Total	**4,958**	**13**	**100.0**

ISLAMIC BONDS BY CURRENCY			JUNE 2009 – SEP 2009
	Amt US$ m	Iss.	%
US dollar	2,248	2	45.3
Saudi Arabian riyal	1,867	1	37.7
Malaysian ringgit	828	9	16.7
Total	**4,958**	**13**	**100.0**

For all enquires regarding the above information, please contact:

dealogic

Jennifer Cheung (Media Relations)

Email: Jennifer.Cheung@Dealogic.com

Phone: +852 2804 1223; Fax: +852 2529 4377

ALL DATA AS OF THE 2nd SEPTEMBER 2009

SUKUK MANAGERS	(12 months)	SEP 2008 – SEP 2009		
	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	24,038,929,409	189	57.2
2	CIMB	3,529,217,864	129	8.4
3	AMMB Holdings	2,663,472,765	115	6.3
4	HSBC Banking Group	1,792,743,770	43	4.3
5	Malaysian Industrial Development Finance	1,397,980,963	318	3.3
6	Citigroup	1,267,746,162	7	3.0
7	Morgan Stanley	1,215,000,000	5	2.9
8	RHB Banking Group	988,820,454	58	2.4
9	Samba Financial Group	933,261,000	1	2.2
10	Malayan Banking	822,350,492	118	2.0
11	Standard Chartered	581,014,409	17	1.4
12	Barclays Bank	435,500,000	3	1.0
13	Cagamas	345,537,496	34	0.8
14	Affin Holdings	340,305,860	40	0.8
15	OCBC Bank	308,236,055	41	0.7
16	OSK Holdings	216,477,053	26	0.5
17	EON Capital	193,173,266	88	0.5
18	Indonesia (Government)	186,708,865	7	0.4
19	Bukhary Capital	131,893,811	10	0.3
20	United Overseas Bank	131,219,560	13	0.3

SUKUK MANAGERS	(3 months)	JUNE 2009 - SEP 2009		
	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	10,694,238,900	27	59.2
2	Citigroup	1,224,896,320	6	6.8
3	Morgan Stanley	1,215,000,000	5	6.7
4	HSBC Banking Group	1,187,599,121	17	6.6
5	Samba Financial Group	933,261,000	1	5.2
6	CIMB	777,693,885	20	4.3
7	Malaysian Industrial Development Finance	454,616,379	76	2.5
8	RHB Banking Group	450,623,400	6	2.5
9	AMMB Holdings	393,029,823	26	2.2
10	Malayan Banking	247,061,687	30	1.4
11	Cagamas	160,628,351	13	0.9
12	Affin Holdings	74,831,695	4	0.4
13	OSK Holdings	70,963,135	9	0.4
14	EON Capital	70,214,714	27	0.4
15	Hwang-DBS (Malaysia)	31,283,190	4	0.2
16	Standard Chartered Bank	30,522,929	4	0.2
17	United Overseas Bank	16,228,080	2	0.1
18	OCBC Bank	14,936,788	4	0.1
19=	Barkun Citra Nusantara	7,356,547	2	0.0
19=	Indonesia (Government)	7,356,547	2	0.0

SUKUK ISSUERS	(12 months)	SEP 2008 – SEP 2009		
	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	Bank Negara Malaysia	8,630,623,993	152	21.0
2	Malaysia (Government)	7,189,311,040	22	17.5
3	Bank Indonesia	3,074,676,837	52	7.5
4	Petronas Global Sukuk	3,000,000,000	2	7.3
5	BNM Sukuk	1,955,872,834	9	4.8
6	Saudi Electricity	1,866,522,000	1	4.6
7	Khazanah Nasional	1,700,063,549	5	4.1
8	Terengganu Investment Authority	1,419,647,927	8	3.5
9	Indonesia (Government)	1,300,000,000	2	3.2
10	Cagamas	927,322,675	34	2.3
11	Perusahaan Penerbit SBSN Indonesia	794,953,034	4	1.9
12	ESSO Malaysia	552,457,603	12	1.3
13	Danga Capital	454,287,337	2	1.1
14	Penerbangan Malaysia	425,894,378	1	1.0
15	Rantau Abang Capital	369,108,461	1	0.9
16	Pakistan (Government)	348,311,445	3	0.8
17	Malakoff	340,715,503	2	0.8
18	MISC	283,969,000	3	0.7
19	Seafield Capital	269,733,106	9	0.7
20	Oilcorp	218,620,399	32	0.5

SUKUK ISSUERS	(3 months)	JUNE 2009 - SEP 2009		
	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	Petronas Global Sukuk	3,000,000,000	2	21.8
2	Malaysia (Government)	2,901,974,300	4	21.1
3	Saudi Electricity	1,866,522,000	1	13.5
4	BNM Sukuk	1,842,301,000	8	13.4
5	Bank Indonesia	877,734,511	14	6.4
6	Khazanah Nasional	706,310,000	2	5.1
7	Bank Negara Malaysia	680,595,600	12	4.9
8	Cagamas	485,812,170	13	3.5
9	MISC	283,969,000	3	2.1
10	ESSO Malaysia	211,742,100	3	1.5
11	Perusahaan Penerbit SBSN Indonesia	114,730,912	2	0.8
12	Mulpha International	62,259,460	8	0.5
13	TESCO Stores (Malaysia)	56,711,530	3	0.4
14	Sime Darby	42,875,100	1	0.3
15	Perbadanan Kemajuan Negeri Selangor	42,667,140	4	0.3
16	Hubline	42,462,255	4	0.3
17	Oilcorp	39,744,760	5	0.3
18	Hytex Integrated	39,391,786	18	0.3
19	BMA International Sukuk	34,185,960	3	0.2
20	Goodway Integrated Industries	31,764,853	7	0.2

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Islamic Sukuk league tables reflect Shariah compliant bonds showing evidence of ownership of assets or their earnings. These results include (but are not limited to) the following securities/assets: Sukuk Salam, Sukuk Mudarabah, Sukuk Ijarah, Sukuk Murabahah, Sukuk Istisna and Sukuk Musharakah.

For more information please contact:

Aimee Webster Telephone: +1-646-223-6816 Email: aimee.webster@thomsonreuters.com

ALL DATA AS OF THE 2nd SEPTEMBER 2009

LOAN MANDATED LEAD ARRANGERS — SEP 2008 – SEP 2009

	Lender	Pro Rata ($)	Full Credit ($)	Deals	Market Share %
1	Dubai Islamic Bank	1,515,903,212.63	5,533,225,701.00	5	16.3
2	HSBC	647,123,249.30	5,308,000,000.00	5	7.0
3	Standard Chartered	579,550,271.45	4,371,225,701.00	4	6.2
4	Calyon Corporate & Investment Bank	524,789,915.97	5,050,000,000.00	3	5.6
5	Arab Bank Group	483,789,915.97	3,018,000,000.00	3	5.2
6	Al Rajhi Banking & Investment	374,789,915.97	2,800,000,000.00	2	4.0
7	Emirates Bank	372,069,879.29	3,387,225,701.00	4	4.0
8=	Al Hilal Bank	368,500,000.00	1,474,000,000.00	1	4.0
8=	Samba Financial Group	368,500,000.00	1,474,000,000.00	1	4.0
10=	Standard Bank Group	357,142,857.14	2,500,000,000.00	1	3.8
10=	National Bank of Kuwait	357,142,857.14	2,500,000,000.00	1	3.8
10=	Gulf Bank of Kuwait	357,142,857.14	2,500,000,000.00	1	3.8
13	Noor Islamic Bank	277,000,000.00	2,885,000,000.00	2	3.0
14	Citigroup	238,346,833.33	2,440,027,000.00	3	2.6
15	Deutsche Bank	225,013,500.00	2,400,027,000.00	2	2.4
16	Mashreqbank	211,050,271.45	2,897,225,701.00	3	2.3
17=	Morgan Stanley	150,000,000.00	2,250,000,000.00	1	1.6
17=	Barclays Bank	150,000,000.00	2,250,000,000.00	1	1.6
17=	JPMorgan	150,000,000.00	2,250,000,000.00	1	1.6
17=	UBS	150,000,000.00	2,250,000,000.00	1	1.6
17=	Royal Bank of Scotland	150,000,000.00	2,250,000,000.00	1	1.6
17=	Dubai Bank	150,000,000.00	2,250,000,000.00	1	1.6
23	WestLB	144,647,058.82	935,000,000.00	2	1.6
24=	Qatar National Bank	137,500,000.00	275,000,000.00	1	1.5
24=	Qatar International Islamic Bank	137,500,000.00	275,000,000.00	1	1.5
26	Industrial & Commercial Bank of China	127,000,000.00	635,000,000.00	1	1.4
27	BNP Paribas	94,313,725.49	580,000,000.00	3	1.0
28	Kuwait Finance House	51,666,666.67	155,000,000.00	1	0.6
29=	Ajman Bank	43,403,212.63	347,225,701.00	1	0.5
29=	First Gulf Bank	43,403,212.63	347,225,701.00	1	0.5
29=	Abu Dhabi Islamic Bank	43,403,212.63	347,225,701.00	1	0.5
29=	Arab African International Bank	43,403,212.63	347,225,701.00	1	0.5
33=	Gatehouse Bank	25,000,000.00	125,000,000.00	1	0.3
33=	Boubyan Bank	25,000,000.00	125,000,000.00	1	0.3

LOAN BOOKRUNNERS (12 Months) — SEP 2008 – SEP 2009

	Lender	Pro Rata (US$)	Full Credit (US$)	Deals	Market Share %
1=	Calyon Corporate & Investment Bank	1,250,000,000.00	2,500,000,000.00	1	16.3
1=	Al Rajhi Banking & Investment	1,250,000,000.00	2,500,000,000.00	1	16.3
3	Standard Chartered Bank	792,112,850.50	4,071,225,701.00	3	10.3
4	Dubai Islamic Bank	745,500,000.00	4,359,000,000.00	3	9.7
5	Noor Islamic Bank	377,000,000.00	2,885,000,000.00	2	4.9
6=	Al Hilal Bank	368,500,000.00	1,474,000,000.00	1	4.8
6=	Samba Financial Group	368,500,000.00	1,474,000,000.00	1	4.8
8	Citigroup	345,013,500.00	2,440,027,000.00	3	4.5
9	HSBC	270,000,000.00	2,290,000,000.00	2	3.5
10=	JPMorgan	250,000,000.00	2,250,000,000.00	1	3.3
10=	Royal Bank of Scotland	250,000,000.00	2,250,000,000.00	1	3.3
10=	Dubai Bank	250,000,000.00	2,250,000,000.00	1	3.3
10=	Barclays Bank	250,000,000.00	2,250,000,000.00	1	3.3
14	Mashreqbank	173,612,850.50	347,225,701.00	1	2.3
15=	Industrial & Commercial Bank of China	127,000,000.00	635,000,000.00	1	1.7
15=	WestLB	127,000,000.00	635,000,000.00	1	1.7
15=	Emirates Bank	127,000,000.00	635,000,000.00	1	1.7
18	BNP Paribas	119,166,666.67	280,000,000.00	2	1.6

ISLAMIC LOANS RAISED (12 Months) — SEP 2008 – SEP 2009

	Borrower	Country	Islamic Loan Amount (US$)
1	Zain KSA	Kuwait	2,500,000,000
2	Investment Corp of Dubai	UAE	2,250,000,000
3	Dubai Electricity & Water Authority	UAE	1,474,000,000
4	Borse Dubai	UAE	827,000,000
5	Dubai Department of Civil Aviation	UAE	635,000,000
6	Al Ghurair Centre	UAE	347,225,701
7	Al Dur Power & Water	Bahrain	300,000,000
8	Qatar Real Estate Investment	Qatar	275,000,000
9	Dolphin Energy	UAE	218,000,000
10	Commercial Real Estate	Kuwait	155,000,000
11	Port & Free Zone World	UAE	150,027,000
12	Burgan Co for Well Drilling, Trading & Maintenance	Kuwait	125,000,000
13	Boyner Holding	Turkey	40,000,000

ALL DATA AS OF THE 2nd SEPTEMBER 2009

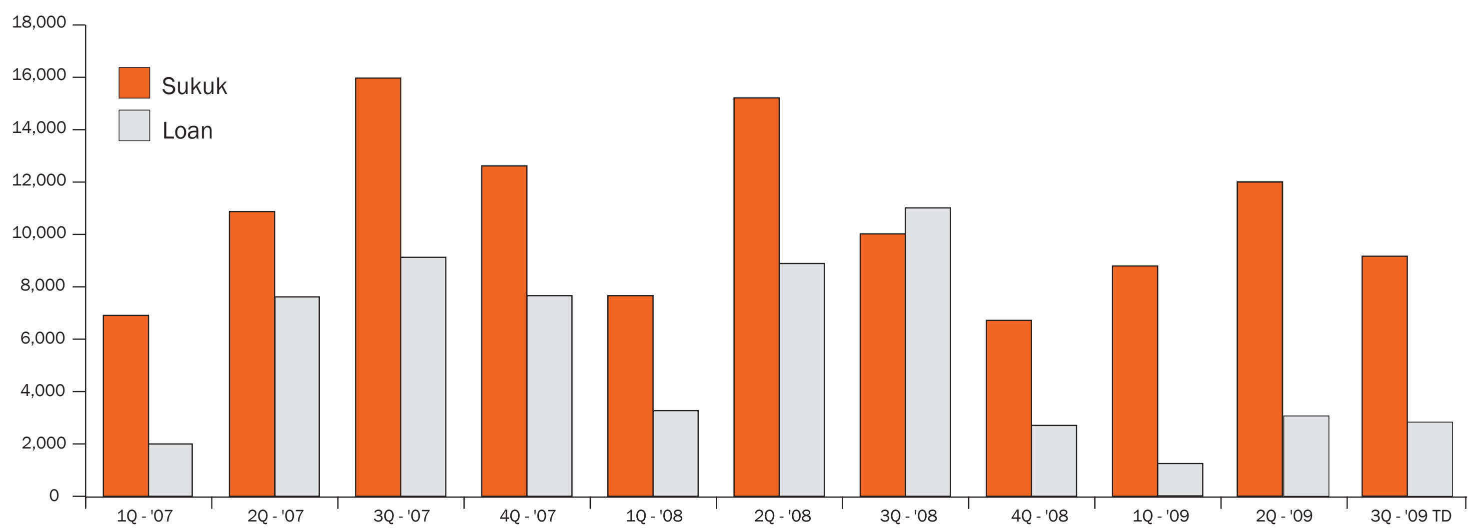
SUKUK BY COUNTRY (12 Months) SEP 2008 – SEP 2009		
Country	Volume Issued	Volume Outstanding
Malaysia	29,934,684,676	17,677,227,503
Indonesia	4,013,132,564	1,185,275,761
Eurobond	2,150,000,000	2,150,000,000
US	2,150,000,000	2,150,000,000
Saudi Arabia	2,073,188,667	2,073,188,667
Pakistan	348,311,445	348,311,445
Bahrain	265,016,419	73,984,315
Singapore	67,944,014	67,944,014
Cayman Islands	-	-
UAE	-	-
Jersey	-	-

LOANS BY COUNTRY (12 Months) SEP 2008 – SEP 2009		
Country	Volume (US$)	Market Share(%)
UAE	5,901,252,701	63.5
Kuwait	2,780,000,000	29.9
Bahrain	300,000,000	3.2
Qatar	275,000,000	3.0
Turkey	40,000,000	0.4

SUKUK BY INDUSTRY (12 Months) SEP 2008 – SEP 2009		
Industry	Volume Issued	Volume Outstanding
Sovereign	20,731,302,195	9,154,494,554
Other financial	11,343,536,342	9,913,971,836
Agency	2,605,826,824	2,549,040,907
Electric power	1,985,214,278	1,959,660,615
Manufacturing	1,645,181,072	589,739,349
Service company	909,720,746	626,184,451
Energy company	712,711,332	148,836,371
Transportation	547,598,736	409,892,887
Banks	263,452,584	263,452,584
Consumer goods	171,703,012	110,658,151
Gas distribution	86,030,664	-

LOANS BY INDUSTRY (12 Months) SEP 2008 – SEP 2009		
Industry	Volume (US$)	Market Share(%)
Government	2,885,000,000	31.0
Telecommunications	2,500,000,000	26.9
Utilities	1,774,000,000	19.1
Financial services	827,000,000	8.9
Real estate	430,000,000	4.6
Retail and supermarkets	387,225,701	4.2
Oil and gas	343,000,000	3.7
Business services	150,027,000	1.6

GLOBAL ISLAMIC VOLUME SUKUK/LOANS (US$ IN MILLIONS)



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For more information please contact: Aimee Webster
Telephone: +1-646-223-6816
Email: aimee.webster@thomsonreuters.com

FTSE Shariah Global Equity Index Series

The FTSE Shariah All-World Index in August finished the month in positive territory, up 2.4%, with Developed markets outperforming Emerging Markets by 2% over the period. The best performing region in August was Developed Europe, with a performance of 5.3%, followed by Middle East & Africa with a performance of 3%. Pakistan was the best performing country with a performance of 22.2%, with Portugal being the second best performing country finishing the month on 11.4%. Both China and Hong Kong were the worst performers in August with a performance of -7.94% and -7.88%, respectively.

Index	No. of constituents	Performance based on percentage (%)						
		1 Month	3 Months	6 Months	**Year-to-Date**	1 Year	3 Years	5 Years
FTSE SHARIAH GLOBAL EQUITY INDEX SERIES								
FTSE Shariah All World Index	1157	2.38	9.88	42.79	22.36	-14.67	-1.38	36.79
FTSE Shariah ASEAN Index	53	-0.30	15.41	59.42	45.78	-5.99	34.21	98.20
FTSE Shariah Asia Pacific ex Japan Index	359	-1.33	10.39	67.64	48.44	-4.26	24.97	114.00
FTSE Shariah Asia Pacific Index	587	1.23	11.40	53.52	31.78	-5.85	2.56	56.21
FTSE Shariah Dev Asia Pacific ex Japan Index	108	-1.98	11.69	62.12	43.07	-8.12	34.80	134.86
FTSE Shariah Developed Asia Pacific Index	336	2.33	12.23	46.74	24.46	-7.75	-3.14	42.53
FTSE Shariah Developed Europe Index	185	5.34	11.92	47.75	21.85	-16.44	-4.24	46.35
FTSE Shariah Developed ex Japan Index	564	2.43	10.12	39.38	18.87	-16.06	-1.01	32.91
FTSE Shariah Developed ex US Index	551	3.53	10.76	46.29	22.86	-13.82	-1.93	49.64
FTSE Shariah Developed Index	792	2.66	10.39	39.52	18.67	-15.05	-2.71	31.15
FTSE Shariah Emerging Index	365	0.62	6.87	67.89	52.82	-12.40	10.55	113.59
FTSE Shariah Europe Index	214	5.11	11.02	48.74	23.21	-17.83	-6.39	45.60
FTSE Shariah Eurozone Index	101	6.34	11.70	53.91	18.98	-19.47	-3.96	50.71
FTSE Shariah Japan 100 Index	100	4.06	12.54	36.97	14.81	-9.48	-16.10	19.08
FTSE Shariah Latin America Index	50	1.80	5.90	64.03	62.57	-18.35	31.65	233.46
FTSE Shariah Middle East & Africa Index	43	2.99	6.84	46.14	33.71	-8.35	23.70	124.75
FTSE Shariah Multinational 150 Index	154	2.42	10.15	36.26	16.72	-14.57	0.88	35.23
FTSE Shariah North America Index	263	1.44	9.11	33.28	15.01	-16.78	-2.15	20.33
FTSE Shariah USA Index	241	1.80	10.11	33.02	14.53	-16.24	-3.38	16.29
FTSE BURSA MALAYSIA INDEX SERIES								
FTSE Bursa Malaysia EMAS Shariah Index	247	1.33	11.73	43.62	37.98	16.71	48.57	71.77
FTSE Bursa Malaysia Hijrah Shariah Index	30	0.96	11.28	38.93	33.99	15.10	63.82	109.07
FTSE DIFX SHARIAH INDEX SERIES								
FTSE DIFX Qatar 10 Shariah Index	10	3.27	4.13	65.34	16.86	-28.92	19.24	-
FTSE DIFX Kuwait 15 Shariah Index	15	2.64	11.08	55.74	13.47	-42.72	-1.07	-
FTSE SGX SHARIAH INDEX SERIES								
FTSE SGX Asia Shariah 100 Index	100	1.11	11.21	43.31	22.75	-8.82	-7.91	31.58
FTSE SET INDEX SERIES								
FTSE SET Shariah Index	50	4.87	13.94	67.45	49.72	-3.08	30.94	86.60
TSEC TAIWAN INDEX SERIES								
TSEC Taiwan Shariah Index	58	-0.68	4.86	59.29	52.11	-5.57	10.78	50.09

Source: FTSE Group, total return data in USD as at 31st August 2009

EVENTS DIARY 2009

DATE	EVENT	VENUE	ORGANIZER
September			
16th	UK IFN Roadshow	London	Islamic Finance *events*
October			
12th – 13th	5th Middle East Insurance Forum	Bahrain	MEGA Events
12th – 15th	Funds World Turkey 2009	Istanbul	Terrapinn
13th – 14th	Opportunities and Challenges in the World of Islamic Finance	UK	ISFINCO
20th	Brunei IFN Roadshow	Brunei	Islamic Finance *events*
November			
2nd – 3rd	Private Client Symposium Middle East	Dubai	IBC
2nd – 4th	Islamic Funds World Middle East 2009	UAE	Terrapinn
2nd – 6th	6th KLIFF 2009	Kuala Lumpur	Cert Events
3rd	India IFN Roadshow	India	Islamic Finance *events*
3rd	4th World Islamic Infrastructure Finance Conference	Doha	MEGA Events
4th – 5th	The International Real Estate Finance Summit 09	London	ICG-Events
5th	Pakistan IFN Roadshow	Pakistan	Islamic Finance *events*
5th	Islamic Finance Intelligence Summit	London	FT Global Events
9th – 10th	Real Estate Investment World Summit	Riyadh	Naseba Group
	3rd World Islamic Infrastructure Finance Conference	Qatar	MEGA Events
	Islamic Investment World Middle East 2009	Middle East	Terrapinn
December			
6th – 8th	16th World Islamic Banking Conference	Bahrain	MEGA Events

Islamic Finance *news* team

Published By:
21/F, Menara Park, 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel: +603 2162 7800 Fax: +603 2162 7810

EDITORIAL TEAM

Managing Editor S.Sivaselvam
Sivaselvam@REDmoneyGroup.com

Editor Raphael Wong
Raphael.Wong@REDmoneyGroup.com

Senior Copy Editor Mary Zachariah
Mary.Zachariah@REDmoneyGroup.com

Copy Editor Sasikala Thiagaraja
Sasikala@REDmoneyGroup.com

Writer Lai Pei Yee
Peiyee.Lai@REDmoneyGroup.com

Staff Writer Nazneen Abdul Halim
Nazneen.Halim@REDmoneyGroup.com

Senior Correspondent Jennifer Jacobs
Jennifer.Jacobs@REDmoneyGroup.com

Correspondents Kamal Bairamov, Shirene Shan

Features Editor Shabnam Mokhtar
Shabnam.Mokhtar@REDmoneyGroup.com

Forum Editor Christina Morgan
Christina.Morgan@REDmoneyGroup.com

Publishing Manager Melisa Idris
Melisa.Idris@REDmoneyGroup.com

Production Manager Hasnani Aspari
Hasnani.Aspari@REDmoneyGroup.com

Production Executives Muhammad Najib Abdul Rahim
Najib.AbdulRahim@REDmoneyGroup.com

Yazid Yahya
Yazid.Yahya@REDmoneyGroup.com

SALES TEAM

New Business Manager Charles Philip
Charles.Philip@REDmoneyGroup.com
Tel: +603 2162 7800 x 13

Head of Subscriptions Musfaizal Mustafa
Musfaizal.Mustafa@REDmoneyGroup.com
Tel: +603 2162 7800 x 24

Subscriptions Sales Executives Nadjmuddean Mohd Ris
Mohammed.Nadjmuddean@REDmoneyGroup.com
Tel: +603 2162 7800 x 38

Sheikh Mohd Rasyidien Sheikh Razman
Rasyidien.Razman@REDmoneyGroup.com
Tel: +603 2162 7800 x 29

MARKETING TEAM

Marketing Manager Deepa Kaliperumal
Deepa.Kaliperumal@REDmoneyGroup.com

Administration & Marketing Assistant Dhana Dorasamy
Dhana@REDmoneyGroup.com

Financial Controller Faizah Hassan
Faizah.Hassan@REDmoneyGroup.com

Deputy Publisher & Director Geraldine Chan
Geraldine.Chan@REDmoneyGroup.com

Managing Director Andrew Tebbutt
Andrew.Tebbutt@REDmoneyGroup.com

Managing Director & Publisher Andrew Morgan
Andrew.Morgan@REDmoneyGroup.com

Individual Subscription Rate: US$675/Year
Company-Wide Subscription Rate: US$2,950/Year

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