

**South Africa's electricity provider looks at domestic and international Sukuk...5**

**Two years post-Sukuk test, Russia is ready to debut Sukuk...7**

**Mining blockchain potential: Iran turns to technopreneurs...7**

**Astana International Financial Centre works on Islamic Finance Master Plan...8**

## COVER STORY

24<sup>th</sup> July 2019 (Volume 16 Issue 29)

# Quantum Solar: What happens when green Sukuk falter?

The RM1 billion (US\$243.4 million) green Sukuk issuance from Quantum Solar Park Malaysia (QSP) was the biggest green SRI issuance out of Malaysia. Launched to a fanfare of praise in June 2017 — and shortlisted for the IFN Deal of the Year — the transaction was a milestone in Malaysia's debt capital market, paving the way for a host of other corporate issuers to 'go green'. But the project has been plagued by delays, with a downgrade in January presaging serious concerns around the viability of the Sukuk. Could a default by QSP be imminent? And what impact might this have on Malaysia's burgeoning market for green Sukuk? LAUREN MCAUGHTRY explores.

## What's it all about?

The QSP Sukuk Murabahah, issued through the wholly-owned Quantum Solar Park (Semenanjung) (QSP Semenanjung), was created to fund the concurrent development of three 50 megawatt (50 MW) alternating current solar photovoltaic power plants: one each in Gurun (Kedah), Merchang (Terengganu) and Jasin (Melaka). With

a total project cost of around RM1.24 billion (US\$301.8 million, funded on an 80:20 Sukuk to equity basis), the 150 MW project made QSP the largest solar power producer in Malaysia — and Malaysia one of the biggest producers in ASEAN.

Given a preliminary rating of 'AA-IS' with a stable outlook by the Malaysian Rating Corporation (MARC), the project initially looked strong. The equity (around RM250 million/US\$61 million, backed by a solid bank guarantee) was injected into QSP Semenanjung before any of the project companies began major work; and the projected cash flow coverage was robust, supported by 21-year purchase agreements with Tenaga Nasional (TNB), the state electricity provider. Based on a 10-month construction timeline, the commercial operation date (COD) of the three plants was originally scheduled for the 31<sup>st</sup> December 2017.

However, these dates proved unachievable, and TNB was forced to extend the COD for all three plants — first to the 31<sup>st</sup> March 2018, and subsequently to the 30<sup>th</sup> June 2018.

immediate impact" from the delay due to the project's sufficient cash buffers and sponsor support, with any project cost overruns paid by the sponsors from a RM50 million (US\$12.15 million) contingency equity facility backed by a bank guarantee. Pre-funding under the Sukuk enabled the first profit payment to be made on the 6<sup>th</sup> April 2018, and the financial service reserve was also met for the second profit payment.

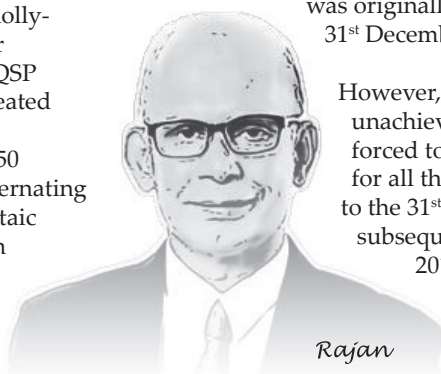
But by the third quarter of 2018, the cracks were starting to show.

## What went wrong?

An independent consultant engineer's report in September rated construction progress at just 68.1% for the Jasin plant and 62.3% for the Merchang plant, and the CODs were revised to the 22<sup>nd</sup> and 26<sup>th</sup> March 2019 respectively. Although the Gurun plant achieved COD on the 19<sup>th</sup> December 2018, by January the MARC had downgraded the QSP Sukuk rating to 'A+-IS' and placed it on a negative outlook due to the increased risk of termination by TNB of its solar power purchase agreement because of the lengthy delays.

"Completion delay of the plants has also weakened the overall project cash flows and strained QSP Semenanjung's

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The MARC at first predicted "no

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## Volume 16 Issue 29

IFN Rapids .....2  
IFN Reports:

• South Africa's heavily indebted electricity provider looks at domestic and international Sukuk • Bahraini Islamic banks race to grab open banking domination as rules come into effect • Company Focus: Offa • Two years post-Sukuk test, Russia is ready to debut Sukuk • Mining blockchain potential: Iran turns to techpreneurs to develop digital token and smart contract offerings • Astana International Financial Centre works on Islamic Finance Master Plan touted to make Kazakhstan a regional hub • Turkey adds to Sukuk repertoire with sophomore Tier 1 capital Sukuk facility • Sovereign securities: Seven regular issuers tap the Islamic capital market.....5

IFN Analyses:

Canada: The progressive Islamic fund space . .10  
Financial technology: Many new green shoots 11  
Case Study:

ADIB UK's financing of portfolio purchase:  
Fortifying UK-Middle East real estate  
relationships ..... 12

Shariah Pronouncement:  
Real estate ..... 13

Back To Basics:  
Genius of the tripartite agreement in Ijarah  
financing ..... 14

Column: Daud speaks  
Potpourri..... 15

IFN Country Correspondents:  
Hong Kong; Afghanistan; the US; Algeria; Egypt;  
Nigeria ..... 16

IFN Sector Correspondents:  
Islamic Microfinance; Islamic Leasing; Mergers &  
Acquisitions; Halal Industry ..... 20

Special Reports:  
Islamic finance training and development  
landscape from 2018 ..... 23

Islamic banking in Turkey ..... 25

Country Feature:  
An uncertain future but Islamic finance can lead  
the way in the UK ..... 27

Sector Feature:  
Islamic finance: Boosted by Brexit? ..... 28

Book Excerpt:  
Islamic fund and wealth management: A way  
forward ..... 29

News Briefs ..... 30  
Deal Tracker ..... 36  
REDmoney Shariah Indexes ..... 37  
Eurekahedge Funds Tables..... 39  
Dealogic League Tables..... 42  
REDmoney Events ..... 46  
Subscription Contact..... 46

## DEALS

**Bank Negara Malaysia** issues Shariah compliant money market facilities

**Ministry of Finance of Indonesia** reopens auction of six Islamic papers

**Central Bank of Bahrain's** 91-day Sukuk Salam oversubscribed

**Central Bank of Gambia's** Sukuk Salam facilities oversubscribed

**Gamuda** offers 92-day Islamic commercial paper for RM50 million (US\$12.16 million)

**Bangladesh Bank** places three-month and six-month Bangladesh Government Islami Investment Bonds

**Sunway Treasury Sukuk** places one Islamic medium-term note and two Islamic commercial papers

**Brunei** raises BN\$100 million (US\$73.49 million) from short-term Sukuk Ijarah

**Central Bank of Kuwait** offers KWD240 million (US\$785.95 million)-worth of conventional bonds and related Tawarruq facilities

**Sabah Credit Corporation** issues Islamic commercial paper worth RM50 million (US\$12.14 million)

**Kazakhstan's** trade ties with the UAE remain on solid growth trajectory

**Warba Bank** gets nod for Sukuk not exceeding US\$500 million

## NEWS

**Hijra Bank** announces launch of sales of public shares

**International Islamic Trade Finance Corporation** donates fertilizers to

**Gambia's National Food Security Processing and Cooperation**

**Sarwa Capital's** proposal to distribute bonus shares approved by Financial Regulatory Authority

**Faisal Islamic Bank's** shareholders approve capital increase to US\$1 billion

**Ivory Coast's** economic committee approves Islamic microfinance bill

**Banque Islamique du Senegal** launches Tamweel Touch

**Bareksa** introduces Bareksa Umroh to offer Shariah compliant mutual funds to finance Umrah pilgrimage

**Bangladesh Petroleum Corporation** to receive US\$1.2 billion-worth of financing from **International Islamic Trade Finance Corporation**

**Bond Pricing Agency Malaysia** to launch Malaysia's first Environmental, Social and Governance Bond Index Series

## RESULTS

**Kuwait Finance House** announces net profit of KWD107.7 million (US\$352.7 million) for first half of 2019

**Qatar Islamic Bank** announces 7.5% net profit growth for first half of 2019

**Dubai Islamic Bank** reports 13% jump in group net profit for first half of 2019

**Emirates Islamic** reports 39% jump in net profit for first half of 2019

**First Abu Dhabi Bank** announces 4% net profit growth for first half of 2019

## ASSET MANAGEMENT

**Perth Mint Physical Gold ETF** lists on **New York Stock Exchange**

**Wahed Invest** launches Shariah compliant US equity ETF

**GFH Capital** acquires healthcare portfolio in the US exceeding US\$180 million in value

**Investcorp Technology Partners** acquires majority stake in **Contentserv**

## TAKAFUL

**Cobalt Underwriting and Chaucer Syndicate** donate London's first-ever Islamic surplus to **Teenage Cancer Trust**

**Pak-Qatar Family Takaful** opens new branch in Gulshan-e-Iqbal

**Saudi Arabian Monetary Authority** renews insurance license of **Union Cooperative Insurance Company**

## RATINGS

**Konsortium KAJV** secures 'AA-' rating from **Malaysian Rating Corporation** for its Sukuk program

**RAM** reaffirms 'AAA(fg)/Stable' rating on **Puncak Wangi's** Islamic paper program

## MOVES

**SABB Takaful** appoints Mohammed Abdulaziz Alshaya and Sami Jadaan Al Muhaid as chairman and deputy chairman respectively

**Ajman Bank** awards senior roles in higher management to Emiratis

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## Quantum Solar: What happens when green Sukuk falter?

*Continued from page 1*

liquidity position in 2019 and 2020, necessitating the issuer to undertake proposed enhancements to the Sukuk structure,” warned the MARC.

QSP Semenanjung subsequently requested a further COD extension to the 30<sup>th</sup> April 2019, at the same time extending the Sukuk walkaway event date (the date on which either party could terminate the Sukuk agreement in the event that the other party is not of good standing or goes into default) to the same date.

Although the Jasin plant finally achieved COD on the 15<sup>th</sup> April 2019, the Merchang plant continued to face delays (with a predicted COD pushed back to the 17<sup>th</sup> May 2019) and in April, QSP Semenanjung was forced to request the Energy Commission (EC) for yet another walkaway clause extension — this time to the 30<sup>th</sup> June 2019 — with the Sukukholders required to grant a waiver to avert a default of the Sukuk.

### What happens now?

It must be stressed that the issuance is not in default, and the company has so far been meeting its financial obligations under the issuance.

“Quantum Solar is currently rated fairly highly at ‘A+’ but has been on a negative watch. The negative watch is to highlight the fact that Quantum Solar ... missed a timeline to commence commercial operations on one of its three solar power plants,” explained Rajan Paramesran, the chief rating officer at the MARC, speaking to IFN. “Quantum Solar has since been working to rectify this situation and the rating agency understands that the company has made substantial progress in this regard.

The Merchang plant was finally connected to the Malaysian grid on the 31<sup>st</sup> May 2019 — over two months later than the predicted COD given to the EC when requesting the second walkaway extension, and only just scraping ahead of the 30<sup>th</sup> June walkaway deadline. Following this announcement, the MARC on the 23<sup>rd</sup> July removed the QSP Sukuk from negative watch and reaffirmed its rating at ‘A+-IS’ with a stable outlook.

“All plants have reached COD and producing revenue. No delays in

bondholder payments. No contractual defaults,” Mark Ravunni, the head of finance and asset management at Norway-based Scatec Solar Solutions, QSP’s EPC construction contractor in Malaysia, confirmed to IFN this week. “[A default is] not likely, so restructuring [will not be] considered.”

**“ Completion delay of the plants has also weakened the overall project cash flows and strained QSP Semenanjung’s liquidity position in 2019 and 2020, necessitating the issuer to undertake proposed enhancements to the Sukuk structure ”**

### What happens next?

So what happens next? There is no question that QSP has had a difficult year, and has struggled to meet its obligations and make its Sukuk payments. Players involved in the deal have been notably tight-lipped — arrangers CIMB and Maybank declined to speak with IFN for this story, as did QSP legal advisors ZICO Law.

It seems as if the firm has finally managed to meet its obligations — and in doing so, avert a crisis that could have had far more serious repercussions than just a single Sukuk failure. But how did it get to this point — and could it happen again?

“There are inherent risks in any projects undertaken through a project financing model, be it at the construction phase or at the operational phase,” agreed Rajan. “The issues that QSP has faced, which were largely related to terrain and weather conditions that had led to construction delays, are therefore nothing unusual. How well these risks are mitigated and the contingencies that are put in place would be key considerations in any project financing assessment.”

Are these challenges unique to green Sukuk? Of course not. But there is a danger that they could be accentuated by the growing trend toward environmentally friendly issuances, which by their nature are likely to be project financings rather than the more pedestrian working capital requirements.

### What should change?

So does the regulator have a responsibility in this regard? Again, the answer is probably no.

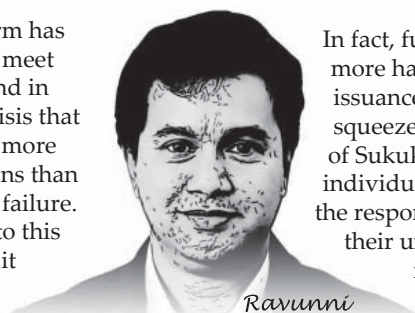
“The Securities Commission Malaysia (SC) closely monitors all developments in the Malaysian bond and Sukuk market, and as a matter of policy, we do not comment on the credit rating of any issuer,” said the SC in an emailed statement to IFN regarding the QSP Sukuk.

The SC has been immensely supportive of green Sukuk issuance, offering robust guidelines for potential originators in the form of its SRI Sukuk Framework launched back in 2014.

“The guidelines have worked well in setting the stage for green projects to take off in Malaysia. As a result, we are witnessing a rapid growth of such projects and to date have not encountered problems to an extent that warrants a rethink,” noted Rajan.

In fact, further regulation could do more harm than good. “Tighter issuance requirements would squeeze the already limited supply of Sukuk in the market. Instead, the individual investors should take on the responsibility to screen and filter their universe thoroughly before investing,” pointed out Abd

*continued on page 4*



Ravunni



## Quantum Solar: What happens when green Sukuk falter?

*Continued from page 3*

Razak Salimin, the head of investment at BIMB Investment Management, which in 2018 launched the world's first ESG Sukuk fund and employs the S-Ray tool developed by Arabesque, its strategic partner, for its ESG screening.

Interestingly, the BIMB ESG Sukuk Fund does not hold a position in the QSP Sukuk — precisely because it did not meet the screening requirements. “We do hold other Malaysian green Sukuk,” explained Razak. “We prefer Sukuk backed by projects that are already completed and generating a positive cash flow. Sukuk based on projects still under construction come with an additional layer of risk.”

**“It must be stressed that the issuance is not in default, and the company has so far been meeting its financial obligations under the issuance”**

### What could have happened?

It looks as if for now, disaster has been avoided. But what implications would — or could — a Sukuk default have for the wider green market in Malaysia?

“Despite the bad news surrounding QSP, we have not seen a negative impact on the other green Sukuk available on the market. I think each individual Sukuk stands on its own merits and has its own cash flow characteristics,” said Razak. “Having said that, in the event of a QSP default, other upcoming issuances, especially for those going through a construction stage, may have to offer higher yields or a discounted price to attract investors.”

But would a default actually inhibit other issuers from tapping the market? Unlikely, if the past is any guide. For

instance, a default by a company in the steel or property sector has never stopped other companies operating in these sectors from tapping the debt markets.

“As in any sector, there are many risk factors that can affect a company's performance,” agreed Rajan. “Issuers and financiers would consider these factors while structuring deals that are receptive to investors' needs and at the same time alleviate their concerns.”

IFN contacted other green Sukuk issuers for their reaction to the QSP Sukuk: including Tadau Energy, PNB Merdeka and Mudajaya Group (through Sinar Kamiri), but received no response.

### What comes next?

Despite the justifiable concerns around the QSP Sukuk, the struggles of one issuer should neither represent nor be to the detriment of the wider market.

“Green Sukuk has to be seriously considered and we cannot afford to ignore it,” said a source close to the deal. “It is likely that the regulators will continue to make it a priority to facilitate green issuance. You have to structure instruments to suit the demands of the time, so it is inevitable that the market will continue to grow — it is a tide that cannot be rolled back.”

As such, we are likely to continue to see new issuers come to market — although whether they come fast enough is a different question.

“The problem with green Sukuk — and Sukuk in general — remains the liquidity of the issuances themselves. We need more liquidity in the system in order to be able to adjust our holdings,” explained Razak. “Right now, we have to be very careful that the Sukuk in our portfolios are strong enough to be held to maturity, as there is always the risk that we cannot sell it before maturity. That puts a lot of pressure on portfolio, therefore we wish to see more initiatives on enhancing liquidity especially for secondary markets.”

The future looks bright, however, especially given Malaysia's commitment to source 20% of total requirements through renewable energy by 2025. And

as green and Islamic finance continue to converge, Malaysia has the opportunity to double down on this growing market.

As at the end of June 2019, eight issuers have come to the market under the SC's SRI Sukuk Framework. Six of these have issued green SRI Sukuk, raising a total of RM2.87 billion (US\$698.6 million) to facilitate financing of projects that benefit the environment. Three of them are also recognized as ASEAN green bonds.

**“In the event of a QSP default, other upcoming issuances, especially for those going through a construction stage, may have to offer higher yields”**

### What about QSP?

Given its previous problems, would QSP ever return to the green Sukuk market? There are no indications of a return, despite new funding requirements on the horizon.

For example, in December 2018 Scatec Solar, a preferential shareholder in QSP Semenanjung, closed financing for a new 47 MW Redsol project in Northwest Malaysia, its fourth in Malaysia following the three QSP plants. With a total investment of approximately US\$47 million, the project was funded not through Sukuk, but via a non-recourse project finance facility provided by BNP Paribas, covering 73% of the project cost.

Yet according to Scatec, Sukuk remain on the table.

“We always consider best available finance options for our strong growth expectations,” said Ravunni. “Sukuk is one such option.” ☺



# South Africa's heavily indebted electricity provider looks at domestic and international Sukuk

South Africa's debt-ridden electricity provider Eskom is mulling a US-dollar denominated Sukuk issuance while seeking proposals for a potential domestic Sukuk sale, MARC ROUSSOT reveals. If it materializes, the transaction would be the country's first corporate Sukuk deal.

Between its ever-growing debt, recurring power cuts and top executives quitting their jobs, Eskom has been grabbing South Africa's headlines for all the wrong reasons over the past few months or even years.

Against this rather dramatic backdrop, the distributor of approximately 95% of South Africa's electricity released a request for proposals on the 9<sup>th</sup> July for a potential domestic Sukuk issuance as the company is seeking to diversify sources of debt and execute cost-effective funding with acceptable risk.

The proposals must be submitted by the 7<sup>th</sup> August and contain recommendations on a potential underlying asset, provide a timeline, propose a size as well as a tenor and mention an indicative pricing. Lead managers will then be picked based on the proposals to assist Eskom in the potential domestic Sukuk issuance.

"The intention of the request for proposals is to test the market for the potential issuance into the domestic market while simultaneously investigating issuance in the international Sukuk market," Eskom told IFN without elaborating on how the proceeds could be used.

The state-owned electricity provider, with debt now reaching close to ZAR500 billion (US\$35.93 billion), is in dire need of cash as it is even struggling to pay interest on its debt comprising eight conventional securities — six US dollar-denominated papers and two domestic papers — currently listed on the Luxembourg Stock Exchange, with two maturing as early as 2021.

Eskom ended up in this financial quagmire due to its high operating cost and the construction of two new coal-fired power plants in Medupi and



Kusile that are running years behind schedule and way over budget.

**“The intention of the request for proposals is to test the market for the potential issuance into the domestic market”**

Despite recent tariff hikes granted by the energy regulator, financial support from the treasury amounting to ZAR23 billion (US\$1.65 billion) over the next three years and a debt-equity swap proposal from the Public Investment Corporation which manages about US\$150 billion and is responsible for the pensions of more than one million state workers, Eskom remains massively indebted.

Adding on to this already dreadful situation, Eskom will very soon look

like a headless chicken as its CEO, Phakamani Hadebe, has resigned and will be leaving at the end of July.

Phakamani will be followed by Andre Pillay, the company's treasurer and a key figure in elaborating Eskom's funding plan, who will quit in August. Both are recognized as fixed income specialists.

In this context, it remains to be seen whether Eskom, assigned a 'CCC+' credit rating with a stable outlook by S&P Global Ratings and a 'B2' long-term corporate family rating by Moody's Investors Service, can secure better pricing with an Islamic instrument compared to a conventional one.

This is not the first time that Eskom is looking to raise funds from the Islamic capital market. Back in 2015, Brian Molefe, the then-CEO of the company, had announced a global Sukuk issuance which never came to fruition.

The deal was announced a year after South Africa's maiden Sukuk issue worth US\$500 million. Maturing on the 24<sup>th</sup> June 2020, the sovereign paper was more than four times oversubscribed with an orderbook of US\$2.2 billion. ☺

## Bahraini Islamic banks race to grab open banking domination as rules come into effect

As the window for banks in Bahrain to adopt open banking expires, local Islamic banks are engaged in what seems to be a show of one-upmanship with the leading Shariah banks publicly embracing open banking and engaging fintech companies to adapt to an evolving landscape. VINEETA TAN writes.

In the span of two weeks, three Islamic banks have vocalized their readiness to share information and technology as mandated by the Central Bank of Bahrain which introduced a regulation last November calling upon the 114 banks in the Kingdom, including 21 Islamic banks, to adopt open banking by the 30<sup>th</sup> June 2019. Ithmaar Bank, Al Baraka Bank and Bahrain Islamic Bank (BisB) have tapped the media engine to amplify their willingness.

The open banking services cover two dimensions: first, an Account Information Service, which comprises granting customers access to their bank account data from different banks through a single unified platform; while

the second entails the ability of customers to easily and effectively make payments and transfers between different accounts through a single application. This would reduce cost and turnaround time for customers.

“Open banking is a game-changer, it broadens the horizons for our customers, offering new online payment channels without the need for credit cards or debit cards, as well as providing access to their different bank accounts through a single digital platform,” said BisB CEO Hassan Jarrar.

Ithmaar Bank confirmed that it has started reaching out to fintech companies and other CBB-licensed entities to explore potential consumer-centric collaborations, with CEO Ahmed Abdul Rahim commenting that the new CBB rules open up opportunities to involve companies that were previously not involved in banking.

Al Baraka Bank, on the other hand, is taking one step further by offering application programming interfaces



(APIs) to third parties through its Al Baraka Global API marketplace which hosts over 25 APIs across six main categories: accounts, money transfers, financings, credit cards, information services and investment products.

“This is a testament of the proactive approach of Al Baraka’s open banking strategy instead of a reactive approach — by going beyond mere compliance with the open banking regulations of the Kingdom of Bahrain that require banks to open specific APIs to third parties,” explained the Islamic bank, which through its Turkish unit, launched the first digital Islamic bank in Europe, Insha.

More Islamic banks are expected to follow suit as the digital race becomes more competitive. ☺

## Company Focus: Offa

**With plans to start operations in September 2019, Offa intends to be the first provider of Islamic bridge financing solutions in the UK real estate market. The company prioritizes socially responsible and environmentally friendly property investments. MARC ROUSSOT has more.**

First to tap the UK Islamic bridge financing market, Offa has developed a portfolio of five Murabahah-based solutions, namely residential, commercial, refurbishment and planning bridge financings, together with a stretched development financing.

The company, which also aims to develop Musharakah-based products, has the ambition to grow its suite of ethical and Shariah funding with a shared risk ethical financing solution.

“Our Shariah compliant and ethical products differentiate us from the competition and will meet huge untapped demand within the UK real

estate bridge lending market, both from Muslim borrowers as well as ethically conscious individuals or corporates,” opines Arsalan Akhtar, the senior risk and financial analyst at Offa, named after King Offa who brought the first Islamic coins into England.

Yet, it is difficult to estimate the size of the UK Islamic bridge financing market, as it remains completely untapped, but as a reference, the UK gross bridge lending market amounted to GBP4.3 billion (US\$5.39 billion) in 2017, representing a compound annual growth rate of 26% since 2013. This is forecast to increase to GBP10 billion (US\$12.5 billion) by 2020, according to EY.

“As a pioneer in this market, we will gauge its true size. But our extensive research indicates the market is significant in size and growing rapidly,” says Arsalan who adds that Offa has recently raised commitments for several million pounds of working capital to be used in funding the company’s

expansion plans in the UK while enabling it to quickly scale up its lending platform.

Offa, which will be focusing on socially responsible and environmentally friendly property investments, anticipates the demand to come initially from broker intermediaries due to the competitive pricing of its solutions against conventional ones.

“Our pricing will be competitive with conventional bridge lenders. There is a myth in the market that Shariah compliant funding is more expensive than conventional,” states Arsalan.

Offa will be funded by a GBP20 million (US\$25.08 million) credit line from a UK Islamic bank but the company is already in conversations for much larger credit lines to facilitate big ticket bridge lending — lower than GBP10 million (US\$12.5 million) — as well as development lending — up to GBP25 million (US\$31.35 million). ☺



## Two years post-Sukuk test, Russia is ready to debut Sukuk

Following a test Sukuk facility in 2017, the Russian wheels are being greased again with a potential Islamic corporate issuance to fund its agriculture industry. The Sukuk, currently in the planning stage, may be the push the country needs to establish a sound Shariah compliant debt capital market, writes DURGHAHYENI MOHGANA SELVAM.

According to a document from an anonymous source as viewed exclusively by IFN, the Sukuk issuance is expected to be US\$5–15 billion in size. It will be potentially floated by Agrofin Sever-Yug, an SPV of the Higher School of Economics (HSE), the team behind the Sukuk project.

The Sukuk facility, which may come with a three-year repayment period, is expected to onboard investors from Oman, Qatar, Kuwait, Saudi Arabia and Lebanon, among others. The Sukuk paper is planned to be structured under the Salam structure, while Musharakah, Mudarabah or hybrid structures are also being considered.

Among the exchanges that are under consideration for listing of the Sukuk are Abu Dhabi Securities Exchange, Saudi



Stock Exchange, Bahrain Bourse and Bursa Malaysia. The goal of the project is to attract long money into the Russian agro-industrial complex and secure fair prices for Russian agri exports. Part of the proceeds will also be channeled to expand the industry's transport and logistics infrastructure.

Dr Ilyas Zaripov, a member of the Participating Banking Working Group of the Central Bank of the Russian Federation and the head of the Islamic Finance Educational Program of the Plekhanov Russian University of Economics, tells IFN that there is a healthy demand for the paper, domestic and international alike. "Islamic finance infrastructure is very weak in Russia; it is

difficult for Islamic financial companies to invest in Islamic assets. So, market participants are waiting for this Sukuk issuance. There is strong interest from CIS countries, such as Kazakhstan and Kyrgyzstan, closely economically connected to Russia," he says.

If successful, the issuance will be Russia's maiden Islamic facility, and is expected to set a precedent for other companies and the sovereign itself to tap the Islamic debt capital market.

"A new Sukuk issuance certainly will have great positive impact on the financial market in Russia. A big part of Sukukholders will be Russian institutional investors. If the paper is successful, it will open the gate to other companies, which are oriented to the Middle East and Asian countries. Moreover, the technology involved in issuing Sukuk can be a trigger for the government or state agencies to prepare sovereign Sukuk," Dr Ilyas expounds.

According to a source close to the deal, the HSE is currently looking for an investment partner, and a local bank is mulling joining the project. The bank has until the end of 2019 to decide if it is interested. (2)

## Mining blockchain potential: Iran turns to technopreneurs to develop digital token and smart contract offerings

An Iranian exchange is spearheading initiatives to develop digital token offerings as well as smart contract solutions just as the world's largest Islamic financial market gave its greenlight to mining cryptocurrencies. VINEETA TAN reports.

The Iran Fara Bourse (IFB) is seeking to collaborate with start-ups on three areas the exchange has identified as core priorities: security token offerings, asset token offerings and smart contracts for financial transactions, as part of the bourse's wider blockchain strategy. Start-ups and technopreneurs have until the 6th August 2019 to submit blockchain proposals to the IFB. This comes as the Islamic Republic, one of two in the world to adopt a financial system in full compliance with Shariah, agreed to regulate the energy-intensive activity of crypto mining.

Central Bank Governor Abdolnaser Hemmati confirmed that the economic commission set up by the government has approved a digital coin-mining mechanism which will later be tabled to cabinet members.

IFB, which has been progressive in exploring, adopting and encouraging the development of new fintech solutions, has channeled resources to understand the application of blockchain over the last 18 months. The exchange, one of four in Iran, formed a blockchain committee, reporting directly to its executive board, to undertake due diligence on the pros and cons of distributed ledger technology and the viability of implementing blockchain instruments and mechanisms at a national level for the financial sector. In February, IFN reported that the IFB was studying methods to **facilitate Sukuk issuance** using blockchain to

ease foreign investments into its capital markets. Boasting a trading value of IRR327.05 trillion (US\$7.76 billion) across its four exchanges and IRR884.34 trillion (US\$20.98 billion) in outstanding Sukuk as at the end of February 2019, Iran is under the pressure of international sanctions and escalating tensions with the US to open up its financial markets to attract international dollars. One way it is doing so is by positioning itself as a regional economic, scientific and technological power by 2025.

Financial regulators such as the central bank and the Securities and Exchange Organization have incorporated fintech into their development strategies and are actively engaging the start-up community to assist with bringing to market new tech-driven products as well as in engineering-related regulatory frameworks. (2)



## Astana International Financial Centre works on Islamic Finance Master Plan touted to make Kazakhstan a regional hub

While discussing potential Sukuk issuances with corporates, the Astana International Financial Centre (AIFC) is developing an Islamic Finance Master Plan with the technical assistance of the IDB. MARC ROUSSOT writes that the blueprint is a bid to develop the industry in Kazakhstan and the broader region where it has yet to take off.

The plan covers a number of issues including Islamic banking and Takaful, Islamic non-banking institutions, Islamic capital market, Islamic social finance, Halal sector, capacity-building and education, legal framework, Shariah governance, internationalization of Islamic finance, talent and fintech.

“The masterplan aims to establish Kazakhstan as a regional Islamic finance hub to accelerate national economic growth and promote shared prosperity.

We are planning to finish it by the end of the year,” the AIFC told IFN.

Kazakhstan has repeatedly expressed its intention to become a regional Islamic finance hub over the past few years. While new regulations and standards have been put in place and regulatory bodies established, the country seems to be lacking traction in achieving more concrete steps since 2012 and the Development Bank of Kazakhstan’s issuance of a five-year RM240 million (US\$58.36 million) Sukuk Murabahah facility out of Malaysia.

The paper was part of a 20-year RM1.5 billion (US\$364.77 million) Sukuk program rated ‘AA3/Stable’ by RAM Ratings but the rating agency withdrew the rating in August 2017 at the bank’s request and the program was terminated.

A sovereign Sukuk issuance has also been in the pipeline since 2014 and a US\$300 million Shariah paper was expected to be floated in 2018, but the deal has yet to come to fruition.

On the financing side, the most recent developments occurred in 2017 with Agrarian Credit Corporation, a state-owned rural development financing company, announcing its intention to start offering Islamic products in 2018; Zaman Bank completing its transformation into a fully-fledged Islamic bank after a four-year tedious process; and Al Hilal Bank expanding to include the retail market after seven years serving the corporate segment.

As of December 2018, Islamic Bank Zaman Bank has assets worth KZT15.08 billion (US\$39.32 million) while Al Hilal Bank has assets amounting to KZT35.08 billion (US\$91.46 million). ☹

## Turkey adds to Sukuk repertoire with sophomore Tier 1 capital Sukuk facility

Following the successful issuance of Turkey’s debut Tier 1 capital Sukuk instrument by AlBaraka Turk last year, another bank has followed suit in floating its Sukuk, dubbed the nation’s second Tier 1 Sukuk facility. Kuveyt Turk Katilim Bankasi’s debut Tier 1 paper was placed this week for US\$200 million with a perpetual tenor. DURGAHYENI MOHGANA SELVAM explores.

Advised by Akin Gump, the Sukuk facility was issued via KT One Company, a Cayman Islands-incorporated SPV. The paper will be listed on the regulated market of the Irish Stock Exchange, trading as Euronext Dublin. The Sukuk paper is solely managed by KFH Capital, whose parent Kuwait Finance House (KFH) owns a majority stake in Kuveyt Turk. The perpetual paper has a call option of five years and an expected annual rate of 9.13%.

The issuance is expected to boost the bank’s growth by expanding its capital. “The Basel III compliant Tier 1 capital certificates will raise the capital adequacy ratio of our bank allowing for stronger growth,” said Ufuk Uyan, CEO of Kuveyt Turk, in an announcement.



Despite the latest issuance being the Islamic bank’s maiden Tier 1 instrument, Kuveyt Turk is no stranger to the Sukuk space, be it international or domestic. One of the bank’s earliest known issuances was a five-year US\$500 million paper in 2014, followed by a Malaysian ringgit-denominated Sukuk issuance for RM2 billion (US\$485.73 million) in the same year. The bank returned to the market numerous times after that with various issuances including US dollar-denominated facilities, short-term papers

as well as innovative efforts such as a CPI-indexed instrument.

In February 2018, AlBaraka Turk, a subsidiary of Bahrain-based AlBaraka Banking Group, raised US\$205 million via Sukuk, the country’s first-ever attempt in Tier 1 Islamic papers. Also a perpetual paper, the issuance carried a profit rate of 10%.

The latest effort by Kuveyt Turk could serve as encouragement for other participating banks to venture into hybrid instruments to raise capital, which could in turn help to further boost the country’s prospering Sukuk market.

According to RAM Ratings, Turkey’s Sukuk development is one to watch out for in 2019, following its impressive feat of recording US\$4.9 billion in total issuance volume as at the end of March 2019. The amount is a substantial increase from the US\$378 million recorded a year before. RAM said that the progress is mainly contributed by the financial sector, in an effort to meet the issuers’ regulatory capital requirements — further proven by Kuveyt Turk’s latest facility. ☹

# Sovereign securities: Seven regular issuers tap the Islamic capital market

Despite the summer break, the Islamic capital market has been quite active over the past seven days with seven regular issuers placing Islamic papers. MARC ROUSSOT writes.

## Malaysia

Bank Negara Malaysia placed Shariah papers worth RM52.64 billion (US\$12.79 billion) over the past seven days.

## Indonesia

The Ministry of Finance of Indonesia was due to conduct an auction for six Islamic papers on the 23<sup>rd</sup> July with an indicative target of IDR8 trillion (US\$573.6 million). The outcome of the auction has yet to be announced at the time of publication.

## Bangladesh

Bangladesh Bank auctioned three-month and six-month Bangladesh Government

Islami Investment Bonds for the total amount of BDT23.96 billion (US\$278.15 million).

## Brunei

The government of Brunei printed a 91-day Sukuk Ijarah facility for the amount of BN\$100 million (US\$73.49 million).

## Saudi Arabia

The Saudi Ministry of Finance issued Sukuk worth SAR5.22 billion (US\$1.39 billion) for July, under the Saudi Arabian Government SAR-denominated Sukuk program.

## Bahrain

The Central Bank of Bahrain's monthly 91-day Sukuk Salam issuance worth BHD43 million (US\$113.29 million) received bids totaling BHD137.48 million (US\$362.22 million).

## Kuwait

The Central Bank of Kuwait auctioned KWD240 million (US\$785.95 million)-worth of three-month conventional bonds and related Tawarruq facilities.

The offerings received KWD2.61 billion (US\$8.55 billion) in bids.

## Gambia

The Central Bank of Gambia on the 17<sup>th</sup> July 2019 sold three-month, six-month and one-year Sukuk Salam papers for GMD10 million (US\$199,399) each. All three papers were oversubscribed.

Separately, the apex bank will place three-month, six-month and one-year Sukuk Salam facilities for GMD10 million each on the 24<sup>th</sup> July. ☹

Upcoming sovereign Sukuk			
Country	Amount	Expected issuance date	Date of announcement
South Africa	TBA (likely domestic Sukuk)	TBA	11 <sup>th</sup> July 2019
Turkey	<ul style="list-style-type: none"> <li>TRY500 million</li> <li>TBA (euro-denominated)</li> <li>TBA (domestic lease certificates)</li> </ul>	<ul style="list-style-type: none"> <li>20<sup>th</sup> August 2019</li> <li>TBA</li> <li>November 2019</li> </ul>	<ul style="list-style-type: none"> <li>1<sup>st</sup> July 2019</li> <li>28<sup>th</sup> May 2019</li> <li>2<sup>nd</sup> November 2018</li> </ul>
The UK	<ul style="list-style-type: none"> <li>TBA</li> </ul>	<ul style="list-style-type: none"> <li>TBA</li> </ul>	<ul style="list-style-type: none"> <li>21<sup>st</sup> June 2019</li> </ul>
Nigeria	TBA	2019	19 <sup>th</sup> June
Mauritania	MRU400 million	30 <sup>th</sup> July	27 <sup>th</sup> May 2019
Kazakhstan	TBA	2020	17 <sup>th</sup> May 2019
Egypt	US\$1-1.5 billion	Early 2020	10 <sup>th</sup> May 2019
Kenya	TBA	TBA	6 <sup>th</sup> May 2019
Saudi Arabia	<ul style="list-style-type: none"> <li>US\$3-5 billion</li> <li>TBA (domestic Sukuk)</li> <li>TBA (savings Sukuk)</li> </ul>	<ul style="list-style-type: none"> <li>Third quarter</li> <li>24<sup>th</sup> July, 21<sup>st</sup> August, 18<sup>th</sup> September, 23<sup>rd</sup> October, 27<sup>th</sup> November, 25<sup>th</sup> December</li> <li>TBA</li> </ul>	<ul style="list-style-type: none"> <li>3<sup>rd</sup> May 2019</li> <li>22<sup>nd</sup> April 2019</li> <li>6<sup>th</sup> February 2019</li> </ul>
Pakistan	<ul style="list-style-type: none"> <li>PKR200 billion</li> <li>TBA (international Sukuk)</li> <li>TBA (diaspora Sukuk or bond)</li> </ul>	<ul style="list-style-type: none"> <li>By the 6<sup>th</sup> July 2019</li> <li>TBA</li> <li>TBA</li> </ul>	<ul style="list-style-type: none"> <li>29<sup>th</sup> March</li> <li>4<sup>th</sup> February</li> <li>29<sup>th</sup> January 2019</li> </ul>
Indonesia	<ul style="list-style-type: none"> <li>TBA (savings Sukuk)</li> <li>IDR50 billion (Sukuk Waqf)</li> </ul>	<ul style="list-style-type: none"> <li>August and November 2019</li> <li>2019</li> </ul>	<ul style="list-style-type: none"> <li>26<sup>th</sup> February 2019</li> <li>25<sup>th</sup> February 2019</li> </ul>
Iran	IRR435 trillion (over multiple programs)	Throughout the fiscal year of 2019-20	14 <sup>th</sup> January 2019
Sri Lanka	LKR310 billion (Sukuk, Samurai or Panda bonds)	2019	11 <sup>th</sup> January 2019

# Canada: The progressive Islamic fund space

Despite lagging in various Islamic finance verticals, Canada is doing impressively well in the Shariah compliant fund management space, more so in the past year. DURGAHYENI MOHGANA SELVAM writes.

## Regulatory landscape

Canada has a sophisticated financial system and one of the world's safest banking infrastructures, as per indicators on the World Economic Forum's Global Competitiveness Survey. But despite allowing Islamic finance transactions, there isn't a dedicated Islamic finance regulation in Canada. Islamic transactions are also not accommodated under the current tax and accounting framework.

A joint task force comprising representatives of the Financial Institutions Steering Committee (including the Bank of Canada and the Department of Finance) has considered the prospects of amending current regulations to accommodate Islamic banks and windows. The government of Ontario has also agreed to review tax and non-tax criteria with the goal of eliminating any biases in favor of conventional finance, which could level the playing field for Islamic finance. Another notable force in pushing for a more compromising regulatory landscape is the Toronto Financial Services Alliance (TFSA).

## Banking and finance

Canada's Islamic finance industry is mostly dominated by mortgage financing, as early as in the 1980s. Provided by cooperatives, the earliest provider was Ansar Co-operative Housing Corporation.

The first mainstream financial institution to offer Islamic mortgages was Winnipeg-based Assiniboine Credit Union while the latest to enter the space is Zero Mortgage Canada which partnered with retail store-based mortgage brokerage True North Mortgage to offer the Canadian market Islamic home financing products licensed for use in Canada through Dubai-based Zero Global. Demand for Shariah compliant real estate financing is significant: a study launched by the TFSA projected demand for Islamic mortgages to swell to US\$17.7 billion in 2020, almost nine times over a five-year period.

Within the banking community, the Canadian Imperial Bank of Commerce,

a conventional bank, has an advisor offering Shariah financial advice to customers, but it is in the minority. According to market players, there were various efforts underway that were expected to lead to the creation of at least one regulated Islamic banking institution by the end of 2017, but this never transpired.

Saudi Arabia's Alawwal Group expanded to Canada last year under the name of Manzil Group, which has real estate as its primary business focus. Earlier in July this year, Manzil raised a CA\$1.15 million (US\$882,105) seed round, which it will use to commercialize a 25-year fixed rate Halal mortgage — a first in Canada. The round was led by FCT Holdings, Sharia Portfolio Canada and Henon Capital. Manzil will use the funds to develop its Murabahah mortgage product, and is looking to officially launch in the third quarter of 2019.

## Capital markets

Canada has yet to introduce any Sukuk instruments, although there are opportunities to do so for infrastructure projects, particularly municipal roads, and an issuance from the 'AAA'-rated sovereign would likely be successful. However, tax obstacles remain.

In the Islamic capital market space, the Shariah fund segment is the most active: There are several Islamic funds in Canada including the Global Iman Fund by Global Growth Assets and an Islamic mutual fund from Bullion Management Group. Alberta-based Everest Group is also said to be in the process of transforming its existing mortgage and real estate funds to be in compliance with Shariah. It plans to launch new Shariah compliant real estate investment funds for Canadian and international investors.

In 2016, two new Shariah compliant funds were launched by Ontario-based Absolute Wealth: the Absolute Sustainable Property Fund and the Absolute Sustainable Dividend Fund. In January 2017, another Canadian entity entered the Islamic finance space: Goldmoney, an online gold platform,

secured Shariah compliance certification for its products.

Earlier this year, Aya Financial, a Canadian Islamic finance firm, was established. The firm introduced Canada's first Shariah compliant deposit product. Winnermax, an institutional investor based in Toronto, will be launching a Shariah compliant private equity fund called the Aperture Global Fund I based in the Cayman Islands during the summer of 2019. Separately, ShariaPortfolio, an Islamic wealth manager headquartered in the US, announced plans to open a Vancouver office in Canada by the second quarter of 2019.

The country has an Islamic index: the Toronto Stock Exchange launched a Shariah index in 2009, namely the S&P/TSX 60 Shariah which has 21 constituents, up from last year's 19, and correlates with the S&P/TSX 60 Index that represents approximately 73% of Canadian equity market capitalization. The Shariah index has a total market capital of CA\$577.36 billion (US\$441.25 billion).

## Takaful

The Canadian Islamic insurance market remains small: the Co-operators Group was the first local insurer to provide Takaful solutions in 2008 in collaboration with Ansar Co-operative and Qurtuba Housing Co-op. Sun Life and Manulife, both originating from Canada, offer Islamic products in Southeast Asia. The demographics and mutual insurance model practice of Canada make Takaful a proposition with encouraging potential.

## Education

Several higher education institutions offer Islamic finance courses including Centennial College (which offers an online Islamic finance course), the University of Toronto's Rotman School of Management (which rolled out the country's first MBA course in Islamic finance) and McMaster University which also offers an MBA Islamic finance course through its DeGroote Business School. ☺



# Financial technology: Many new green shoots

Gaining ground, blockchain, cryptocurrencies and assets as well as robo-advisors are changing the way Islamic finance has been operating in recent years. Many new regulations and projects have been launched over the past few months in the Middle East and Asia in particular. MARC ROUSSOT brings you the latest developments.

## Definition

Fintech is a concept covering a lot of ground, making it difficult to clearly define what it really is. Fintech includes everything from artificial intelligence and blockchain technology, to cryptocurrencies and assets, as well as robo-advisors.

The Fintech Landscape defines fintech companies as those that combine financial services with innovative technology, particularly through internet-based or app-based services. They do not deliver their services through a traditional branch network or physical units.

From a different angle, what fintech companies have in common are that they are expected to provide greater security, transparency and market efficiency while also delivering their products and services at a cheaper cost thanks to automation, among others.

## IFN Fintech Landscape

The Islamic fintech industry is expanding. The IFN Fintech Landscape is now composed of 120 companies from 26 countries currently operating or at the launching phase. There were 102 last year.

These companies are active in 11 sectors, namely alternative finance; blockchain and cryptocurrencies; crowdfunding and peer-to-peer (P2P) finance; data and analytics; digital banking; incubators/venture builders; payments, remittance and foreign exchange; personal finance management, trading and investment; robo-advisors; Takatech; and technology, information technology (IT) and infrastructure.

Crowdfunding and P2P finance is the largest sector with 29 companies including France's 570easi and the UK's Yields, followed by the technology, IT and infrastructure segment with 23 companies like Temenos, ICS Financial Systems and Path Solutions.

Personal finance management, trading and investment comes in third with 18

companies like Eiger Trading Advisers, DDCap and Tamasia.

With 22 companies, including Ethis Ventures, HelloGold, Sedania As Salam Capital and PayHalal, Malaysia is home to the largest number of Islamic fintech companies globally. It is followed by the UK with 21 companies, such as Arabesque, MercyCrowd, Moneemint and InsurerHalal.

## Regulations and framework

A number of new regulations and frameworks have been created by regulators from Asia and the Middle East in particular over the past 12 months.

In January, the Central Bank of Iran (CBI) unveiled a draft of its cryptocurrency policy in which it plans to maintain the ban on common cryptocurrencies such as bitcoin to be used as payment tools inside the country.

A month later, the Central Bank of Bahrain (CBB) issued the final rules on a range of activities relevant to crypto assets, including licensing, governance, minimum capital and reporting and cybersecurity for crypto asset services.

Over in Asia, the Securities Commission Malaysia amended its guidelines on recognized markets to introduce new requirements for electronic platforms that facilitate the trading of digital assets.

Malaysia's regulator is also working on finalizing the regulatory requirements for the issuance of initial coin offerings by the second half of the year.

## Blockchain

Blockchain is the new big thing in Islamic finance and history will remember that Al Hilal Bank closed the first Sukuk transaction using this technology in a deal that sent shockwaves across the industry.

Al Hilal Bank used blockchain to trade its US\$500 million senior Sukuk maturing in September 2023 on the secondary market.

While it was certainly a remarkable step, the transaction was, nevertheless, a very specific one. Only two players were involved, the bank and a private investor, and the paper was privately placed on the secondary market.

Following this deal, the Iran Fara Bourse started looking at using blockchain technology for Sukuk issuances. However, it will take some time for the project to see the light of day as a number of matters must be addressed by Iran's over-the-counter exchange starting with the standardization of paperwork.

Besides the debt capital market, blockchain is now also being used to power Malaysia's FINTERRA Waqf chain platform, a blockchain-based solution to crowdfund Waqf charity, Islamic investments and P2P lending.

## Crypto assets/currencies

Blockchain may also be used by crypto assets/currencies. This is the case with Malaysia-based Ibadah, which launched the iDinar, an Islamic blockchain-based e-token platform in March. The initial value of the one dinar e-token is backed by one gram of physical gold.

More recently, Bank Melli, Bank Mellat, Parsian Bank and Bank Pasargad launched PEYMAN, a token backed by 30 milligrams of 24-carat gold.

Also in Iran, the Iran Mercantile Exchange has announced that it is ready to trade in cryptocurrencies. This was two months after the CBI published a draft cryptocurrency policy authorizing asset-backed tokens and tokens backed by no assets to be traded on the mercantile exchange.

RAIN, a Bahrain-based cryptocurrency exchange operating out of the CBB's regulatory sandbox, has secured a Fatwa from the Shariyah Review Bureau. The certificate dictates that the sale, purchase and custodian activities of RAIN comply with the principles of Shariah and includes all cryptocurrencies offered by RAIN, namely bitcoin, ethereum and litecoin. ☺

# ADIB UK's financing of portfolio purchase: Fortifying UK-Middle East real estate relationships

In June, the UK Islamic real estate market saw a positive development as Cedar Tree Investments Islamically acquired four freehold rental properties in Manchester city. The Islamic financing worth GBP24.35 million (US\$30.24 million) was extended by the UK arm of Abu Dhabi Islamic Bank (ADIB). DURGAHYENI MOHGANA SELVAM delves deeper.

Sold by Knight Frank's residential investment team on behalf of Manchester Apartments (Property and Lettings Division of Beech Holdings) to Cedar Tree Investments, the transaction involved four freehold rental properties across the city with 163 units in total. All Cedar Tree Investments are managed by AIMS Investments, one of the largest private and public equity investors in Saudi Arabia.

The sale was funded by ADIB UK, which was advised by CMS, an international law firm. The four properties under the portfolio are Basil House, Salisbury House, 51 King Street and 341 Great Western Street.

Basil House is a Grade II-listed building which is currently let on assured shorthold tenancies and includes a ground floor commercial unit. Salisbury House is a purpose-built block of 98 units, comprising a mixture of studio and one-bedroom apartments. 51 King Street is a heritage block comprising a basement, ground and first floor retail space of 3,300 square feet; whereas 341 Great Western Street is a collection

of studios and two to three-bedroom apartments based in the area of Rusholme.

**“We continue to see strong demand from Middle Eastern investors for the yield offered by UK real estate”**

The transaction is believed to have strengthened the investment bridge between the UK and the Middle East. “We continue to see strong demand from Middle Eastern investors for the yield offered by UK real estate. The ability to provide them with attractive Shariah compliant financing solutions in a short time frame is core to ADIB UK's offer and we look forward to continuing to support Cedar Tree Investments as they grow their UK portfolio,” Paul Maisfield, the head of real estate at ADIB UK said.

ADIB UK is a wholly-owned subsidiary of ADIB, and the first UAE-based bank providing Islamic financial services to be licensed to operate in the UK. It is also one of only six fully-fledged Islamic banks in the UK. (2)

ADIB (UK)'s Shariah compliant financing of residential portfolio acquisition

GBP24.35 million



June 2019

<b>Obligor</b>	Cedar Tree Investments
<b>Aggregate principal amount</b>	GBP24.35 million (US\$30.24 million)
<b>Type of facility</b>	Financing facility
<b>Structure</b>	Commodity Murabahah
<b>Use of proceeds</b>	Property acquisition
<b>Acquired properties</b>	Basil House, Salisbury House, 51 King Street and 341 Great Western Street
<b>Number of units acquired</b>	Four properties with a total of 163 units
<b>Tenor</b>	Five years
<b>Arranger</b>	Abu Dhabi Islamic Bank UK
<b>Seller</b>	Knight Frank's residential investment team on behalf of Manchester Apartments (Property and Lettings Division of Beech Holdings)
<b>Legal advisor</b>	CMS



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## REAL ESTATE

### Query:

The First Investment Company has provided the following offer: Kuwait Finance House (KFH) purchases real estate properties at a certain price — note that the real estate properties are mortgaged to a local bank — on the condition that they remain registered in the seller's name, not in KFH's name, in the registry at the Ministry of Justice. KFH enters into a lease agreement with the seller for a period of seven years and promises to sell the real estate to the seller at the market price. The seven-year rent is secured by a letter of guarantee issued by three local banks. Note that in case the lessee defaults on rent payment, KFH reserves the right to confiscate the letter of guarantee. Is it allowed to get involved in this deal?

### Pronouncement:

After hearing the explanation of the representatives, it became clear that the contract of sale between KFH and the seller contains a condition stipulating that the seller shall then lease the real estate from KFH. The deal includes [another] violation, which is not registering the real estate in KFH's name. Based upon that, the Fatwa committee believes that KFH is not allowed to conduct this deal.

### Query:

Is it permissible to swap two real estate properties, mentioning the value of each of them? Note that the contract format is a swap of real estate for real estate.

### Pronouncement:

Swapping two real estate properties using a single contract is legally permitted, because it is a form of barter that is considered a single deal. Specifying the price of each piece of real estate will not negatively affect the transaction, provided that the deal is not structured in two formats, each of them having a price and a contract, and provided that the sale of one piece of real estate is not dependent on the sale of the other.

### Issuer:

Kuwait Finance House

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## Genius of the tripartite agreement in Ijarah financing



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

**Before we commence our discussion on the situation where a customer sells an asset to an Islamic bank and leases it back from the bank, let us first explore the tripartite agreement mentioned by me in the last article.**

The need for a tripartite agreement is felt when the customer approaches an Islamic bank after having made a downpayment and entered into a sale and purchase agreement (SPA) with the seller of the asset.

As per Shariah principles, by virtue of the SPA, the ownership of the asset gets transferred to the buyer under the SPA forthwith, irrespective of the fact whether the payment has been made by the buyer in full or part.

As such, when the buyer under the SPA requests the Islamic bank to finance the asset through leasing, the Islamic bank must first purchase the asset from the seller in order to become the owner to enable it to lease the asset to the customer.

However, the seller is unable to sell the asset to the Islamic bank since he has already sold it to the bank's customer under the SPA. How to solve this tricky situation?

Alright, the jurists say Shariah provides the most logical and fair solution to all problems, including money and finance. I remember exactly the same situation arose in 2005/6 when the Islamic home financing transactions had just started to be offered by the Islamic financial institutions in the UAE.

The matter was submitted to the Shariah board of the Islamic bank where I was working at the time and to my surprise, the appropriate Shariah guidance came out the very next day. What was it? Let us examine.

The scholars guided that in order for the Islamic bank to lease the property to the customer, it ought to be the owner of the property first. In order to do so, the Islamic bank must enter into a tripartite agreement with the parties under the SPA, ie the seller and buyer of the property. That is the reason it was called the tripartite agreement, ie between three parties viz. the Islamic bank, the seller of the property and the buyer under the SPA.

The following were the main features of the tripartite agreement which to date is utilized in similar situations:

- a. The SPA signed between the seller and buyer of the property shall stand terminated forthwith upon the signing of the tripartite agreement by the three parties
- b. With the termination of the SPA, as per Shariah principles the ownership to the property shall get retransferred to the SPA seller (the original owner)
- c. The Islamic bank shall replace the customer as the SPA buyer for the property and all rights and liabilities of the owner of the property shall get transferred to the Islamic bank under the SPA earlier signed between the seller and the bank's customer
- d. The aforementioned will entail that all the terms and conditions of the original SPA will come alive for the Islamic bank as the new buyer. In other words, the Islamic bank will fit into the shoes of the customer (the erstwhile buyer). Although it is not a Shariah requirement, the Islamic bank may seek the SPA seller to enter into a new SPA
- e. At the time of signing the tripartite agreement, the ownership of the downpayment made by the customer under the SPA shall also get

transferred to the Islamic bank. Here, the Islamic bank shall deduct the downpayment amount from the total selling price and make the payment of the balance amount to the seller.

- f. Also, in order to start Ijarah financing, the Islamic bank shall make an adjustment of the downpayment amount from the total purchase price of the property and apply the lease rent on the adjusted amount and not on the total purchase price of the property
- g. All the other documents required to manage an Ijarah financing transaction, approved by the Islamic bank's Shariah board, shall be signed by the customer (I will explain the full set of Ijarah documentation in a later article), and
- h. It is possible from a Shariah perspective that, at the customer's request, the Islamic bank may refund the downpayment amount to the customer, instead of adjusting it as explained previously. In such a situation, the Islamic bank's purchase price and the amount of Ijarah financing shall equate as one amount.

The aforementioned solution worked perfectly at that time as well as until today when it is applied by Islamic banks and financial institutions from the UAE in such situations.

Although originally the tripartite agreement was devised to facilitate Ijarah financing for ready properties, it was subsequently used extensively in financing off-plan (under construction) properties as well. ☺

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

**Next week: Discussion on a financial lease and other aspects of Ijarah shall continue.**

## Potpourri

*By Daud Vicary Abdullah, the managing director of DVA Consulting and a partner at Gateway Islamic Advisory. He was ex-CEO of the International Centre for Education in Islamic Finance (INCEIF), The Global University of Islamic Finance. He can be contacted at [dvicary@gmail.com](mailto:dvicary@gmail.com).*

The last month has been an interesting mix of travel, with visits to the UK and Kazakhstan, as well as a wide variety of activity in the fields of Islamic finance, philanthropy, sustainability, education, advisory and youth entrepreneurship. All topics close to my heart. So, the month has been a real potpourri of activity.

If there is a thread that links all of the activity together, it would be that of 'values'. Despite the diversity of countries, activity and focus, all can be linked through the sharing of similar values.

In the UK, I was able to continue my sustainability assignment with a client and was pleased to see significant progress in the year since we initiated the project. It is

heartening to see all the staff aligning around shared values and more than willing to take on the next stages of development.

I was also able to support the initial launching of the International Federation of Red Cross and Red Crescent

Societies's Project Wash initiative which is a green Sukuk facility designed to raise funding for the elimination of cholera globally. Like all things that are new and innovative, acceptance will take time, but the team did get some very valuable feedback from the London market.

I was also proud to be at the launch of OtherDOTS at Level 39 of Canary Wharf. This is an important initiative designed to support underprivileged young people in developing countries gain access to build and develop entrepreneurial skills in order to launch innovative

business ideas. Some great friendships made and more importantly a solid base was created for further development.

So on to Kazakhstan where I chaired the 4<sup>th</sup> advisory board meeting for the Astana International Finance Centre (AIFC) as well as moderated a session at its annual Astana Finance Days Conference. During my time there, I was able to review the Islamic finance plans being developed by consultants for the AIFC, Kazakhstan and the region. Good progress being made but still a lot of work and prioritization to be done.

Throughout the month I was motivated by the sharing of values. Significantly, this was also achieved at the 7<sup>th</sup> cohort of the IF4BOD (Islamic finance for board of directors) program initiated by Bank Negara Malaysia, where I had the privilege to moderate and deliver program segments to 25 finance board directors. In that month, the quality of interchange and engagement surpassed all expectations. This was largely as a result of shared values!

As always, there is much to do and not a moment to lose. ☺



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## Tax considerations for Hong Kong to boost Islamic finance



**HONG KONG**

By Wafee Yeung

**Hong Kong is one of the top international financial centers with a track record of three successful sovereign Sukuk issuances totaling US\$3 billion in the previous years, subsequent to the amended tax rules on profits tax and stamp duty which collectively provide a level-playing field to issuers and investors when compared to the conventional bond counterpart.**

Obviously, tax is a very critical factor and driving force, along with the regulatory framework, government policy and market demand, effectively strengthening the development of Islamic finance in any country or city around the world. Hong Kong is no exception. Yet, the breadth and depth of the tax measures formulated and adopted in Hong Kong are not sophisticated and attractive to further support and boost its Islamic finance development to a higher level.

Undoubtedly, Islamic banking and Sukuk are the two main generators for Islamic finance globally. Hong Kong has only got a very limited Islamic banking window service as of today, and no corporate Sukuk issuances have been crystallized so far. This reflects the lack of incentives, especially from the tax field, to appeal and capture the confidence of bankers and investors to make use of this well-established financial platform to offer their quality Islamic banking services and raise funds via Sukuk for certain projects or other commercial



needs. To change this situation, it is advisable if the Hong Kong government can consider enforcing a wider scope of tax incentives to help boost the Islamic finance industry; in particular, the first priority should be placed on Islamic banking and Sukuk.

For the Islamic banking business, Hong Kong may consider granting a profits tax exemption for international Islamic banks for the first five years of their subsidiary's operation in Hong Kong, subject to certain qualifying criteria and an annual review. Stamp duty exemption can also be granted up to five years on underlying instruments executed pertaining to Islamic banking businesses conducted in both the Hong Kong dollar and foreign currencies.

Since Hong Kong does not impose any withholding tax, except royalty payments, there should not be any questions on the profits received by resident depositors (individuals) and non-resident depositors (individuals and corporates) as well as the income received by non-resident experts in Islamic finance. All in all, tax neutrality should be accorded to Islamic financial instruments and transactions executed to fulfill Shariah requirements.

For Sukuk issuances, as mentioned in one of my previous reports titled '**Hong Kong is ideal for SPVs in Islamic finance: A tax perspective**', SPVs established solely to channel funds for the purpose of issuing Islamic securities approved by the Securities and Futures Commission of Hong Kong (SFC) are not subject to tax or tax administrative procedures.

For Sukuk issuers, this means a tax deduction on expenses incurred in the issuance of Islamic securities under certain principles approved by the SFC, in addition to the aforementioned full stamp duty exemption on instruments used to issue Sukuk in both the Hong Kong dollar and foreign currencies. Last but not the least, there is also stamp duty exemption on Sukuk investing and trading. ☺

*Wafee Yeung is the managing director of Allalah Consulting. He can be contacted at [wafee@allalah.com](mailto:wafee@allalah.com).*

### IFN Country Correspondents

<b>AFGHANISTAN:</b> Manezha Sukhanyar former head of Islamic banking, Maiwand Bank
<b>ALGERIA:</b> Dr Ahmed Tahiri Jouti COO, Al Maali Consultancy Group
<b>AUSTRALIA:</b> Christopher Aylward partner, Finance and Major Transactions, Madison Marcus Law Firm
<b>BAHRAIN:</b> Dr Hatim El-Tahir director of Islamic Finance Knowledge Center, Deloitte & Touche
<b>BANGLADESH:</b> M Shamsuzzaman additional managing director, Islami Bank Bangladesh
<b>BRAZIL:</b> Fábio Amaral Figueira partner, Veirano Advogados
<b>CANADA:</b> Rehan Huda managing director, Amana Canada Holdings
<b>CHINA:</b> Wafee Yeung managing director, Allalah Consulting
<b>EGYPT:</b> Dr Walid Hegazy managing partner, Hegazy & Associates
<b>GERMANY:</b> Ahmet Kudsi Arslan CEO, KT Bank
<b>HONG KONG:</b> Wafee Yeung managing director, Allalah Consulting
<b>INDIA:</b> Ali M Shervani partner, Consigliori Consultants
<b>INDONESIA:</b> Irwan Abdalloh head of Islamic Capital Market, Indonesia Stock Exchange
<b>IRAN:</b> Majid Pireh head of Islamic finance group at the Securities and Exchange Organization of Iran
<b>ITALY:</b> Stefano Padovani partner & head of banking and finance, NCTM Studio Legale Associato
<b>IVORY COAST:</b> Abbas Cherif CEO, Islamic Finance Intelligence and Management
<b>JAPAN:</b> Dr Etsuaki Yoshida project associate professor, Kyoto University
<b>KAZAKHSTAN:</b> Shaimerden Chikanayev partner, Grata Law Firm
<b>KENYA:</b> Tego Wolasa retail and product development manager, KCB SAHL Bank
<b>KUWAIT:</b> Issam Al Tawari managing partner, Newbury Economic Consultancy
<b>KYRGYZSTAN:</b> Daniyar Mamyrov consultant, Gateway Islamic Advisory
<b>LUXEMBOURG:</b> Nida Khan doctoral researcher, SEDAN Research Group
<b>MALAYSIA:</b> Ruslena Ramli head, Islamic finance, RAM Rating
<b>MALDIVES:</b> Aishath Muneeza chairman, Maldives Center for Islamic Finance
<b>MALTA:</b> Reuben Buttigieg president, Malta Institute of Management
<b>MOROCCO:</b> Dr Ahmed Tahiri Jouti COO, Al Maali Consultancy Group
<b>NIGERIA:</b> Hajara Adeola managing director and CEO, Lotus Capital
<b>OFFSHORE CENTERS:</b> Manuela Belmontes partner, Maples Group
<b>OMAN:</b> Asad Qayyum senior associate, Al Busaidy, Mansoor Jamal & Co
<b>PAKISTAN:</b> Muhammad Shoaib Ibrahim managing director & CEO, First Habib Modaraba
<b>PHILIPPINES:</b> Rafael A Morales managing partner, Morales & Lumagui
<b>QATAR:</b> Amjad Hussain partner, K&L Gates
<b>RUSSIA:</b> Dr Ilyas Zaripov member, Partnership Banking Working Group, Central Bank of the Russian Federation
<b>SAUDI ARABIA:</b> Nabil Issa partner, King & Spalding
<b>SENEGAL:</b> Abdoulaye Lam president & CEO, Global Islamic Finance & Transactions
<b>SRI LANKA:</b> Suresh R I Perera principal, Tax & Regulatory, KPMG
<b>TUNISIA:</b> Mohamed Araar General directorate of External Financing and Settlements, deputy director of Private Financing and International Relations Department, Central Bank of Tunisia
<b>UAE:</b> Anita Yadav senior director, head of fixed income research, Emirates NBD
<b>UK:</b> Suhail Ahmad founder of the Financial Network and partner, Gateway Islamic Advisory
<b>US:</b> Aliredha Walji vice-president, ShariaPortfolio US
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# Turkmenistan-Afghanistan-Pakistan-India gas pipeline project



AFGHANISTAN

By Manezha Sukhanyar

**The peace talks between the Taliban and the Afghanistan government have reached an advanced level, putting an end to 18 years of war in Afghanistan. In March 2019, the Taliban's meeting with US government officials raised hope for peace along with presidential elections to be held in July 2019. These developments will have their consequences not only on the security situation in Afghanistan, but also on some ongoing development projects and the overall condition of the country's economy.**

The Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project is one of Afghanistan's most important development projects that

will generate hundreds of megawatts of electricity, which will in turn generate revenue via transit fees and taxes, create job opportunities, provide training and capacity-building for Afghans as well as promote local businesses and goods.

For the financing of the TAPI project, the IDB has agreed to provide US\$700 million, with an additional US\$300 million for the remaining portion of the pipeline.

Additionally, the Asian Development Bank and the Islamic Corporation for the Insurance of Investment and Export Credit are keen to provide US\$500 million and US\$300 million respectively. Recently, Saudi Arabia expressed an interest to support the financing of the same project.

The successful implementation of the TAPI project will have considerable effect on the Afghanistan economy, and will promote and support investments and local production. However, how the peace process and the presidential elections will affect the project implementation is not clear.

Additionally, in view of the recent developments of Islamic banking as well as its acceptance by the wide majority of Afghans and the government support toward this sector, has the option of providing financing for the TAPI project via Islamic banking been discussed or considered? This is also not clear so we need to watch this space. ☺

*Manezha Sukhanyar is the former chief of Islamic banking at Maiwand Bank. She can be contacted at [sukhanyarm@gmail.com](mailto:sukhanyarm@gmail.com).*

## Islamic finance and ethical trends



THE US

By Aliredha Walji

**In all parts of the world, people are increasingly interested in purchasing and consuming ethically-sourced products. This trend holds true across diverse sectors, from food and consumer products to financial services to media and recreation.**

According to Global Impact Investing Network, three out of four millennials are willing to pay extra for sustainable offerings, and 'impact-investing' assets are estimated at US\$114 billion as of 2016, according to the State of the Global Islamic Economy Report 2018/19 by Thomson Reuters/Dinar Standard. The US market is no exception, with a very loyal consumer base for ethical offerings. Over 80% of US consumers of socially responsible business brands are willing to pay a greater than 30% premium and are willing to repeat their purchases more than three times when their needs are met, according to Adnan Durrani, the founder and CEO of American Halal.

The fact that consumers are willing to pay so much more for responsible

products and services highlights a demand in the US market that is looking to be filled. Islamic finance, with its focus on fulfilling Islamic criteria for Halal and Tayyab (usually translated as 'lawful' and 'good'), is perfectly poised to meet this demand — not only for US Muslim consumers, but also potentially for US consumers at large.

In addition, Islamic finance's focus on equity investment, as opposed to debt or leverage, has powerful implications for all discussions regarding the ethics of excessive debt. The devastating impact of this type of debt was demonstrated during the worldwide financial crisis of 2008, when the overinflation of assets during the boom cycle was followed by the Great Recession, with dire hardships affecting many individuals as a result.

The connections between the Muslim economic space and wider ethical trends were the main topic of discussion at the 27<sup>th</sup> June 2019 roundtable strategy session titled 'Muslim Entrepreneurs for Social Good', hosted by Dinar Standard.

Practitioners in the finance field made up a large portion of the attendees,

given the prominent role that finance plays in entrepreneurial success across many sectors. Their discussions centered on the ethical trends that can be addressed by Islamic finance, including financial inequality and education through the development of programs aimed to raise financial literacy. The importance of eliminating debt and moving instead toward wealth accumulation also emerged as a theme.

Islamic finance at its core has to do with adhering to quantitative and qualitative metrics that ensure broader screens are met by avoiding certain red-flag industries like gambling, alcohol, tobacco and such.

When Islamic criteria and ethical principles such as environmental sustainability or social responsibility are brought together, the combination can lead to the successful acceptance of Islamic finance not only within the US Muslim community but in US society as a whole. ☺

*Aliredha Walji is the vice-president of ShariaPortfolio. He can be contacted at [aliredha@shariaportfolio.com](mailto:aliredha@shariaportfolio.com).*

## Islamic finance in Algeria: What is next?



ALGERIA

*Dr Ahmed Tahiri Jouti*

**According to many local experts and observers, the regulatory framework issued on the 9<sup>th</sup> December 2018 by the central bank of Algeria was much below their expectations. Indeed, for them, the central bank should initiate larger projects and frameworks to implement a competitive Shariah compliant financial system.**

Moreover, the regulatory framework is governing solely Islamic windows and is not covering existing financial institutions that are commercializing Islamic financial products without any legal or regulatory frameworks.

Nevertheless, this framework was seen as an experimental step in order to move faster in the process of setting up a comprehensive Islamic financial system especially since many of the local

players have started preparing to launch their own Islamic window and many announcements were made.

In the current political context, launching new activities seems to be hard especially when it comes to state-owned entities. In this context, some of the players have postponed the launch of their offering while some others canceled the public tender related to the accompaniment and the assistance in the implementation process of a participative window.

All in all, the relaunching of the Islamic banking activity in Algeria would first require the establishment of political stability and the designation of a government that is willing to develop the local financial system and to diversify its tools and instruments.

Algeria has a lot of potentialities to become an important center of Islamic banking not only in terms of the size of

assets but also in terms of innovation if, and only if, all the ingredients and the prerequisites are gathered.

From another perspective, conventional insurance companies are also interested in launching their Takaful activity in the presence of two fully-fledged Islamic banks and two Islamic windows that need Takaful coverage for their commitments and to reinforce their credibility and competitiveness.

In this context, local players can start their Takaful activity since the business opportunity is already available in a market that has a low insurance penetration rate. Therefore, Takaful can help to improve the Takaful penetration rate and will constitute a quick win for the whole sector. ☺

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

## EIFA sponsors Sukuk symposium



EGYPT

*By Dr Walid Hegazy*

**Islamic finance experts gathered in Egypt this month to attend a forum on Sukuk issuances. The topic was titled 'Islamic Sukuk — Successful Experiences'. The objective was to discuss and compare Sukuk issuances in other countries and find commonalities between international Sukuk issuances and potential Sukuk issuances in Egypt. The symposium was sponsored by the Egyptian Islamic Finance Association (EIFA) and the Financial Regulatory Authority (FRA).**

Although the legislative framework has been in place since the amendment of the Capital Markets Law in 2018 and this year's FRA regulations for Shariah governance, the Sukuk market is tentative, as potential issuers and investors figure out the optimum ways to issue Sukuk in Egypt. This forum was especially timely, as the Ministry of Finance has vowed to issue the first sovereign Sukuk in the 2019–20 fiscal year, while ADIB Capital has announced that it will oversee the first private Sukuk issuance.

The Sukuk forum was of critical importance for several reasons. First, it highlighted the importance of cooperation between the public and private sectors in Egypt. Although the FRA is the regulatory authority responsible for monitoring Sukuk issuances, the members of the EIFA have extensive experience in the field of Islamic finance and are heavily invested in training the new cadre of Islamic finance professionals. They outlined relevant topics to the administrative personnel attending the event, such as the difference between Sukuk and conventional bonds, additional Shariah compliance standards not included in existing regulations and how Sukuk could be used as investment mechanisms.

Secondly, Egypt is susceptible to trends in the international Sukuk markets, and the country must position itself as a hub for African Sukuk to attract additional foreign direct investment.

In the past, Egypt had issued Sukuk regulations, but no practical action was taken to ensure Sukuk issuance and spread public awareness in the country's financial sector.

Finally, successful Sukuk issuances in compliance with the new legislation and regulations will serve as another indicator of Egypt's political and economic stability.

Now that Egypt has reached the conclusion of its three-year IMF loan program, its economy rests at a pivotal stage.

Introducing new international investment and financing mechanisms such as Sukuk can be risky, especially as Islamic finance scholars are still balancing the integration of Sukuk into global markets with maintaining their Shariah compliant nature.

Still, if the Egyptian government continues its cooperation with NGOs and international Shariah compliance regulatory associations such as AAOIFI, one can forecast a positive outlook for Sukuk in Egypt. ☺

*Dr Walid Hegazy is the managing partner at Hegazy & Partners in cooperation with Crowell & Moring. He can be contacted at whegazy@hegazylaw.com.*



# More growth opportunities for Islamic finance in Nigeria through public-private partnerships



**NIGERIA**

*By Hajara Adeola*

In a bid to spur road infrastructure development in Nigeria, President Muhammadu Buhari recently issued an executive order on a 10-year public-private partnership arrangement tagged as the 'Road Infrastructure Development and Refurbishment Investment Tax Scheme'. The scheme aims to encourage private investors to finance the construction of roads and bridges in return for tax credits which can be used to offset any tax liabilities due to the government. The government expects the scheme to channel infrastructure investment to key economic corridors and industrial clusters, thereby reducing the strain on public finances. The executive order has therefore opened the door for corporate debt issuance, including corporate Sukuk.

President Muhammadu is empowered by the Nigerian constitution to issue executive orders and this is an expedient way to repeal or modify existing laws for public benefit. Nigeria, similar to most developing nations, has a significant infrastructure deficit which requires an estimated US\$30 billion in annual investments to rectify. The federal government has utilized various financing options, including NGN200

billion (US\$549.99 million) in sovereign Sukuk, to address this challenge. However, population growth and urban migration continue to strain the country's already aged facilities, creating a near state of emergency in some areas.

A case in point is the persistent gridlock on the Lagos-Ibadan expressway, which serves as a critical link to the country's busiest seaport and is arguably the main corridor for most commercial activities. The difficulties with transportation and haulage have adversely impacted some of Nigeria's largest producers including cement manufacturers, sugar refineries and fast-moving consumer goods companies. Therefore, deploying tax incentives and public-private partnerships as captured under the new executive order should unlock more capital for infrastructure.

Nigeria is yet to explore corporate Sukuk. This is not surprising and is mainly due to structural issues in the corporate debt market such as the relatively high cost of borrowing and lengthy transaction cycles. As a result, there are only a handful of corporate bonds in issue, as firms prefer shorter term bank borrowings and commercial papers to cover their working capital requirements. Corporates with foreign affiliations typically have recourse

to cheaper inter-company loans to fund fixed assets, while others use equity.

The new executive order and the potential for tax credits may incentivize blue-chip corporates to issue long-term debt. The attraction is further enhanced by a provision that allows investors to trade their tax credits on a securities exchange for liquidity. Following the executive order, a consortium of companies has already undertaken to construct 11 roads across the six geopolitical zones of the country where they have significant operations.

We expect Sukuk to feature among their funding options given that its suitability for road construction finance has been established by the success of the federal government's two Sukuk issuances for that purpose. In particular, the transparency provided by the Sukuk structure makes it the perfect candidate for public-private partnerships which are usually accompanied by heavy public scrutiny.

The executive order should give the corporate debt market a boost and hopefully by extension, the corporate Sukuk market. ☺

*Hajara Adeola is CEO/managing director of Lotus Capital. She can be contacted at hajara.adeola@lotuscapitallimited.com.*

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## Microfinance and Takaful: Can donor risk capital jump-start both sectors?



**ISLAMIC  
MICROFINANCE**

*By Dr Mohammed Kroessin*

**Some 700 million people live in the Muslim world around the poverty line. The changing macro environment, especially climate change but also increasing urbanization, is likely to increase their vulnerability and threatens to either keep them trapped in or returned to poverty due to external shocks.**

This affects also the liquidity of micro lenders — charged with poverty reduction — when non-performing loans remain high as this constrains the effective recycling of funds. As clients struggle to repay finance, revenues decrease. Microfinance institutions also incur higher administrative costs from providing finance under such constraints. The asset base of microfinance institutions further decreases through extra provisioning as non-performing loans increase. Each of these effects reduces net income, and net losses on the income statement translate into equity losses on the balance sheet, which means that sustainability — one of the twin aims of microfinance — is difficult to attain.

In order to protect themselves from such losses, repayment insurance often features as a mandatory add-on service for clients in many microfinance institutions. Portfolio-level insurance is also used as an alternative institutional mechanism in the conventional sector that may be particularly suitable for events that cause large portfolio losses such as natural disasters.

This sort of financial protection can contribute, ex ante, to the mitigation of the risk of diversion of donor funding from development to humanitarian assistance in the case of disasters. This means not just that assets of poor people are protected but disasters also do not slow down, let alone derail low-income countries' journey of poverty.

### The case for Takaful

For many vulnerable regions, especially in the Muslim world, Takaful and re-Takaful would offer a potential solution to such disaster risk-induced limitations on the supply of microfinance. Having Takaful against these disasters, at both the individual and institutional levels, can provide effective means for transferring this risk and expanding financial inclusion outreach.

A problem remains, however, in the availability of affordable Takaful products with the industry heavily relying on middle-income customers in the GCC or Southeast Asia. This reliance on what are currently limited markets itself seems to have constrained the growth of the Takaful industry.

The question is whether donor funding could be used as risk capital to offer financial protection to some of the 700 million people. Possible donors could be the IDB and also individual countries such as the UAE which has overtaken the US in per capital official development aid.

This would not only jump-start the Takaful industry — if it is willing to focus

### IFN Sector Correspondents

**CROWDFUNDING:** Craig Moore  
CEO, Beehive

**DEBT CAPITAL MARKETS:** Imran Mufti  
partner, Hogan Lovells

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

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

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

**LAW:** Dr Nicolas Bremer  
partner, Alexander & Partner

**LIQUIDITY MANAGEMENT:** Raghu Mandagolathur  
managing director, Marmore MENA Intelligence

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

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

**PRIVATE EQUITY & VENTURE CAPITAL:**  
James R Stull, partner, King & Spalding

**REAL ESTATE:** Philip Churchill  
founder partner, 90 North Real Estate Partners

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

**RISK MANAGEMENT:** Ali Khokha  
senior manager PwC Luxembourg

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

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

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

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

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

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



on scaling affordable products to poor people — but would also provide stability to a fledgling Islamic microfinance sector. It would also unlock further private sector capital. All these are critical for economic resilience and growth and could be a game-changer for the development of a number of Muslim-majority countries, some of which are the poorest in the world. ☺

*Dr Mohammed Kroessin is the head of the Islamic Microfinance Business Unit of the International Programs Division at Islamic Relief Worldwide. He can be contacted at Mohammed.Kroessin@irworldwide.org.*

## Fast-tracking the Islamic leasing sector



### ISLAMIC LEASING

By Shoeb M Sharieff

**The Philippines takes center stage in July as its central bank plans to fast-track the necessary regulations and rules to develop Islamic leasing. Islamic banking law in the country needs to be approved by the Filipino president; however, both Houses of Congress have passed an existing bill. In a nutshell, it means the Philippines's movement toward an Islamic banking structure that promotes Islamic leasing is picking up steam.**

Over the last few years, the Philippines had two plans in place — firstly, it was trying to attract Shariah compliant investments from other countries to meet the need for an influx of capital to satisfy its 10 million Muslims with the aim to foster Islamic banking. Secondly, it was looking to increase exports to countries with a Halal infrastructure.

The Philippine Halal Export Development and Promotion Board fast-tracked these plans in 2018 and by

February 2019 launched the Philippine National Halal Laboratory and Science Centre to promote Islamic finance and banking that includes Islamic leasing.

MyEG Services, an electronic service provider in Malaysia, has launched MY EG Islamic Finance (MYEGIF) that deals with both Islamic financing and Islamic leasing as well as other credit-granting services that are free from Riba. MYEGIF aims to modernize and be Shariah compliant at the same time. It will use an electronic channel to provide Shariah compliant services to businesses and residents. Being a state-run agency, it will also look after Islamic leasing interests in Bangladesh and Indonesia. The new electronic portal will also cover several other different services such as auto insurance and national identity card replacements.

The UK is getting ready to release a second set of Shariah compliant bonds that makes it the western hub for Islamic leasing and Shariah compliant financing. John Glen, the UK economic secretary to the HM Treasury, calmed any fears about Brexit by saying that even if the country leaves the EU, it will remain

committed to Islamic leasing. The London Stock Exchange was the first western financial entity to list Islamic finance and leasing products in 2007.

At the center of this progress is the UK's largest Islamic leasing bank, Al Rayan Bank, which has a regulatory framework that looks after a variety of Shariah compliant products. Several big projects in the UK including the Olympic Village in Stratford have been funded with help from the Muslim community. Five other Shariah compliant banks in the UK have altogether assets of US\$5.5 billion with a variety of Shariah compliant products.

For the past two years, Uzbekistan — with a population of 32 million Muslims — has been building an Islamic leasing aspect in its economy focusing on a Shariah compliant system that establishes trade links with like-minded economies. ☺

*Shoeb M Sharieff is the president and CEO of Ijara Community Development Corp. He can be contacted at shoeb@ijaracdc.com.*

## Gulf lenders continue to be attracted to Turkey's financial market



### MERGERS & ACQUISITIONS

By Burak Gencoglu

**A significant acquisition transaction of the Emirates National Bank of Dubai (Emirates NBD) is about to be closed in the second quarter of this year. The Turkish state-owned Anadolu Agency reported that the Turkish Banking Regulation and Supervision Agency (BRSA) has approved the Emirates NBD's acquisition deal of Denizbank shares from Russia's Sberbank.**

Emirates NBD previously signed a new deal to buy Sberbank's wholly-owned Turkish subsidiary Denizbank in return for TRY15.48 billion (US\$2.73 billion). As a result of the slumping Turkish lira, the revised agreement may save the Dubai-based lender up to US\$700 million.

Following the approval of the Central Bank of the UAE, another important

stage has been completed by obtaining the approval from Turkey's banking regulator BRSA.

The deal is significant by being Turkey's largest mergers and acquisitions deal since 2012 and a Dubai-based bank's largest overseas acquisition. After the announcement of the deal, the shares of Emirates NBD jumped as much as 9.3% in Dubai in trading which is the highest level since February 2008.

The deal may also be considered as an important development for Turkey, which shows international confidence in the Turkish financial sector and its economy amid slowing economic growth in the country.

In terms of the Islamic finance perspective, considering Emirates NBD's branching policy, the completion of the acquisition of Denizbank may

establish branches within Saudi Arabia, the UAE, Egypt and in other MENA countries which will provide Islamic finance services to its customers.

The lenders from the Gulf are attracted to Turkey where there are huge expansion opportunities with a young and underbanked population of more than 80 million.

Before Emirates NBD's major acquisition of Denizbank, Qatar National Bank bought the National Bank of Greece's Turkish unit Finansbank in 2016 and in the same year, the Commercial Bank of Qatar took full ownership of Alternatif Bank after buying the remaining 25% stake. ☺

*Burak Gencoglu is the founding partner of Gencoglu & Ergun Law Firm. He can be contacted at bgencoglu@gencogluergun.av.tr.*



## Integrated Halal ecosystem



### HALAL INDUSTRY

By Dr Sutan Emir Hidayat

Since the last decade, the Halal industry has been a global phenomenon. Not only Muslim countries, but also non-Muslim-majority countries are actively participating in the industry. Some of the non-Muslim countries notably have been becoming top performers in certain segments of the Halal industry. Brazil, for instance, has been the world's top producer of Halal poultry for the last decade.

Another example is the Kingdom of Thailand which is included in the top 10 Halal Tourism list in the 2018 Global Islamic Economy Indicator (GIEI). Actually, there is high correlation between segments of the Halal industry. For example, if a country wants to develop Halal tourism, it must also develop a Halal food supply chain since the availability of Halal restaurants is part of the requirements of Halal tourism.

Despite the aforementioned good development, the integration between Halal food, Halal tourism, modest fashion and other segments of the Halal industry and Islamic finance is still relatively low in many Muslim countries such as Indonesia for instance. In Indonesia, Halal tourism has been

growing significantly for the last decade. The country has been ranked No 1 in the segment by CrescentRating along with its neighbor Malaysia. In addition, the country is ranked No 2 in the 2018 GIEI for modest fashion.

However, the Halal tourism and modest fashion segments are not that much integrated with the Islamic finance segment despite Indonesia being listed in the top 10 of the Islamic finance segment of the 2018 GIEI (at No 9). It means financial aspects are not taken into consideration in categorizing a product as Halal. It also means the Halal concept applies to the products and services only with little or no consideration to the sources of financing. As a result, there is still a decoupling between Halal products and services and Islamic finance. Therefore, strengthening the Halal value chain and Islamic finance has become a very important strategy in developing the country's Islamic economy ecosystem.

In fact, the two strategies have been included as Indonesia's main strategies in the recently launched master plan for the Indonesian Islamic economy or known as MEKSI. The stakeholders of the Islamic economy in Indonesia realize that the disintegration between Islamic finance and other segments of the Halal industry is one of the main reasons why

Islamic finance still only represents a small portion of the financial industry in the Republic. As of June 2018, Islamic finance's market share in the country stood at around 8.47% of total financial assets in Indonesia, according to a report by the Financial Services Authority. On the other hand, the contribution of the Halal industry to the Indonesian economy by default should be much more than the 8.47% figure since Indonesia is the world's biggest Muslim country.

Therefore, it is very clear that the disintegration exists in Indonesia. The National Islamic Finance Committee, which has been mandated by the government to coordinate the implementation of MEKSI, focuses on how to integrate Islamic finance and other segments of the Halal industry. Islamic finance will be strengthened and directed to finance the Halal industry more. Halal industry players should also be pushed to take only Islamic financings and instruments as their sources of funds. Only with strong integration between Islamic finance and other segments of the Halal industry can a robust Halal ecosystem be in place. ☺

*Dr Sutan Emir Hidayat is the director of Islamic financial education and research at the National Islamic Finance Committee, Indonesia. He can be contacted at [sutan.emir@knks.go.id](mailto:sutan.emir@knks.go.id).*

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# Islamic finance training and development landscape from 2018

The approximately US\$3 trillion Islamic finance industry has seen significant growth over the past 20 years. According to Thomson Reuters, in the past decade, the Islamic finance industry has averaged double-digit growth. Even though the Islamic finance industry currently is going through a consolidation phase due to the declining growth rates of certain Islamic economies and global geopolitical uncertainties, it is still estimated to continue on a positive growth trend and by 2024, it is expected to increase by 50% in value. MUJTABA KHALID delves further.



*Mujtaba Khalid is the head of the Islamic Finance Centre at the Bahrain Institute of Banking and Finance. He*

*can be contacted at [mujtaba.k.saigol@gmail.com](mailto:mujtaba.k.saigol@gmail.com).*

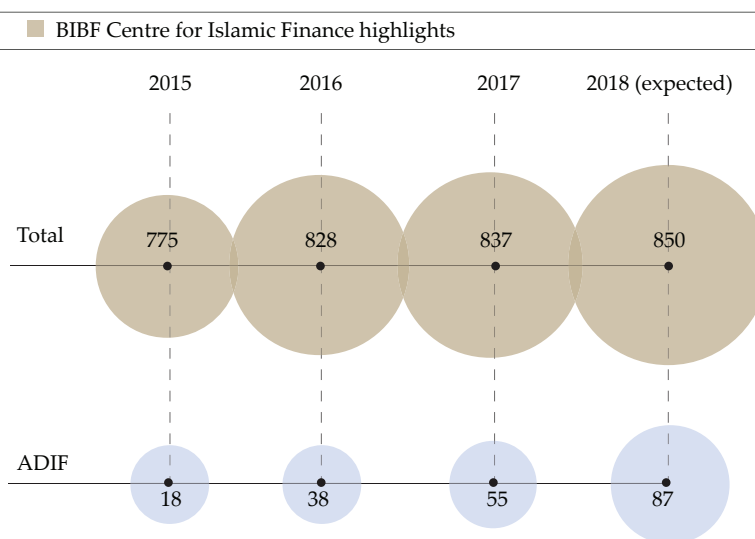
This is maybe a good sign for the industry and the stakeholders of Islamic finance at large; however, since 2016, there have been calls by many industry proponents regarding the lack of qualified human resource capital. There have been many instances where Islamic banks around the world have had to hire staff with zero or very basic understanding and experience of Islamic banking and finance. Although Islamic banks are helpless in this situation as they need to fill job openings, this practice in itself exposes Islamic banks to some very unique risks, the least of which is reputational.

This is where Islamic finance training comes in; for the industry to progress in the short to medium term. Professional qualifications and specialized short courses are the answer as opposed to a Master's program or a doctorate. Having said that, for the long run, the role of Master of Science and PhD programs cannot be overstated enough. This report will look at the new industry developments in the training space, some commentary on the effort of certain jurisdictions in this space as well as some trends and experiences from 2018.

## Islamic finance executive education in the UK

In 2018, all of England wanted "football to come home"; unfortunately for them, it did not — however, the UK did see a surge in Islamic finance executive development courses. The two oldest and most established ones are the Islamic Finance Leadership program

Chart 1: Total enrollment in short courses and ADIF (2015-18)



Source: Thomson Reuters 2018 Bahrain Report

**“With increased regulatory requirements, specialized workshops in the GCC were particularly successful”**

by Cambridge IFA and the Durham Islamic Finance Summer School. The Islamic Finance Leadership program is aimed at leaders in the Islamic finance industry and focuses on sharing experiences of the well-established industry leaders as well as focusing on leadership development. The Durham Islamic Finance Summer School is thematic in nature and is aimed at both industry practitioners as well as new entrants in the space; therefore it deals

with general Islamic finance industry issues.

The Coventry University launched the Islamic Finance Management program in 2018 in partnership with the Bahrain Institute of Banking and Finance (BIBF). This program is aimed at the second and third tier of potential future leaders in the Islamic finance space as succession planning is something the industry is greatly suffering from. This program also saw the launch of the first-ever Islamic banking e-simulation software.

Scotland also saw the launch of Islamic finance executive education with the UKIFC partnering with the Ethical Finance Hub and Heriot-Watt University to launch a three-day program exploring synergies between Islamic and ethical finance.

## Other notable developments

The Central Asian (CIS) region, including Russia, has seen a lot of development in the field of Islamic

*Continued*

finance in the past three or four years. In Russia, the Kazan Summit held under the patronage of the president of the Republic of Tatarstan is a conference-themed event but also includes Islamic finance workshops as well as Halal business expos all merged into an almost week-long extravaganza.

The most active efforts in the CIS region have come from Kazakhstan with the Astana International Financial Center (AIFC) leading the charge to become an Islamic finance hub of the region. Specifically in the training space, the AIFC established the Bureau for Continuing Professional Development (BCPD) which has been actively working on the human capital development of the region in the Islamic finance space.

Pakistan has seen some great efforts over the past four years with the State Bank of Pakistan establishing three centers of excellence in Islamic finance. COMSATS University, which is the largest university network in Pakistan and one of the highest globally ranked Pakistani universities, has made invaluable contributions toward the Islamic finance education and training space. COMSATS has also been the most active (even more active than the centers of excellence) when it comes to conducting Islamic finance training outside of the major Pakistani cities, which is very much required for the rapidly growing industry. COMSATS also became the first Pakistani institute to partner with an entity from the GCC to conduct and develop qualifications and training programs aimed at the Pakistani Islamic finance industry. BIBF and COMSATS will be launching a professional qualification as well as a number of workshops and board-level training programs in Pakistan.

## GCC experience

There is a definite increase in the uptake of Islamic finance short courses as well as Advance Diploma in Islamic Finance (ADIF) enrollments as seen in Chart 1. With increased regulatory requirements such as the introduction of value-added tax (VAT) and new IFRS standards, specialized workshops in the GCC such as those titled 'VAT and Implications for Islamic Banks' and 'IFRS 9 and Islamic Banking Entries' were particularly successful. ☺

# IFN FORUM INDONESIA

2019

27<sup>th</sup> AUGUST 2019  
Shangri-La Hotel, Jakarta

Indonesia is an Islamic finance giant waiting to be awakened, and events from recent years have indeed stirred the world's most populous Muslim nation. Armed with a strong political will, the Republic has a firm grip on its title as a worldclass Sukuk contender, issuing more sovereign Sukuk than any other nations globally. And the Southeast Asian giant, with over 225 million Muslim citizens, is resolute in broadening its Islamic finance repertoire beyond Sukuk: equipped with a new 10-year Islamic finance national masterplan, a dedicated national Shariah finance committee headed by the president himself and a new Hajj fund agency, Indonesia is working on elevating other segments of its Islamic finance industry including banking, insurance and asset management.

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# Islamic banking in Turkey

Six participation banks are currently in operation in Turkey — Albaraka Turk (majority-owned by Albaraka Banking Group, Bahrain), Kuveyt Turk (majority-owned by KFH, Kuwait), Turkiye Finans Katilim Bankasi (majority-owned by NCB, Saudi Arabia), Ziraat Katilim (state-owned), Vakif Katilim (state-owned) and Emlak Katilim (state-owned). Total assets are equal to a 5.61% market share as per the first quarter of 2019 (Q1 2019) with a total of 1,129 branches and 15,196 employees. In terms of market share, Kuveyt Turk is leading the rankings followed by Turkiye Finans, Albaraka Turk, Ziraat Katilim, Vakif Katilim and Emlak Katilim. CENK KARACAOGLU explores.



*Cenk Karacaoglu is the senior representative for AIMS International Management in the UAE and Turkey for strategic management advisory services. He can be contacted at [cenk.karacaoglu@aims-gcc.com](mailto:cenk.karacaoglu@aims-gcc.com).*

## Main instruments dominating Islamic banking

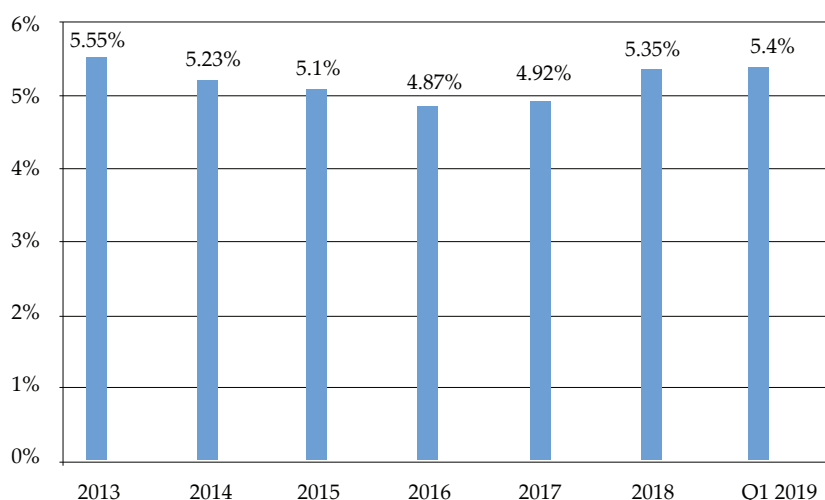
Though Murabahah, Wakalah, Ijarah, Istisnah, Sukuk and Takaful are widely used in the Islamic banking sector globally, only a limited number of Istisnah products are offered by participation banks in Turkey. Murabahah is one of the most successful instruments provided to corporates and SMEs while Ijarah is offered to SMEs (facilities with a maximum of one year).

Sukuk is one of the key instruments for Turkish participation banks today, especially Turkish lira Sukuk transactions supported by the Turkish Treasury that would allow Turkish participation banks to access longer-term sources with an acceptable price compared to the cost of Murabahah deposits made by local depositors. Additionally, Wakalah is mainly used by treasury divisions for bank-to-bank Islamic financings for six months and longer tenors.

## Legislation for participation banking

Obviously, we would advocate unique support from the Turkish government for Islamic banking principles in Turkey. The Banking Regulation and Supervision Agency (BRSA), along with the Turkish Treasury, shows strong efforts in improving the Islamic banking market share. However, the BRSA allows conventional banks to include Islamic banking instruments like Murabahah into their product offerings as such conventional banks in

Chart 1: Market share of fully-fledged Islamic banks in Turkey from 2013 to Q1 2019



Source: Turkish Participation Banking Association

Turkey should accept and implement an Islamic structure for Murabahah transactions.

Likewise in many European countries, both conventional banks and fully-fledged Islamic banks are subjected to the same regulations. Government support would help to increase the market share of Islamic banking but even until today, there are still difficulties in increasing the Islamic banking market share to more than 5% in Turkey.

## Why Turkish Islamic banks would not increase their market share

A total of 53 banks have obtained a license from the regulator from which six are operating as fully-fledged Islamic banks. Chart 1 shows the market share from 2013 to Q1 2019.

Even though three state-owned banks were added as new Islamic banks in Turkey, the market share is still less than 6%. In my opinion, the main reason is not due to conventional banks tapping the local market more

**Government support would help to increase the market share of Islamic banking**

aggressively, but upon reviewing the balance sheet performance, Islamic banks achieved almost the same percentage of loan growth, net profit and deposits compared to conventional banks. Therefore, there was no significant increase in the market share even with the incorporation of new state-owned Islamic banks, because the new banks were sharing deposits and loan allocation to existing customers of other Islamic banks instead of new clients.

It is also not correct to comment that Islamic banks in Turkey are not able to increase the market share due to their



Continued



limited instruments because they also offer products such as mortgage, car loans and non-cash loans like other banks. Further to this, the capital adequacy ratio (CAR) of Islamic banks is similar to conventional banks, so if Islamic banks are facing CAR problems, then conventional banks will also face the same problem.

Upon analyzing the amortization of new investments, conventional banks are more successful in offering their cross-selling instruments. As such, Islamic banks should consider cross-selling instruments. For instance, if an Islamic bank is providing non-cash instruments like letters of credit, letters of guarantee or standby letters, it is not aggressively encouraging clients to use its other products like export-import receivables, credit cards, salary accounts, mandates for their Sukuk, bond issues and such.

In addition to cross-selling options, investment banking, private banking and retail banking instruments are not top of the list for marketing, except at Kuveyt Turk — the largest Islamic bank in Turkey — and the newly established state-owned bank, Vakif Katilim Bankasi. Other banks are not keen on emphasizing investment and private banking instruments.

Eventually, Turkish Islamic banks are targeting to achieve a minimum market share of 10% although it seems even achieving a 5.5% market share is difficult without focusing on cross-selling banking performance. ☹️

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With six licensed Islamic banks and over 20 international banks offering Shariah compliant financial products, the UK's Islamic finance industry is a favorite destination for investors, particularly for its flourishing real estate sector. Apart from the banking industry, the London Stock Exchange is also one of the most active Sukuk-listing destinations, with 67 listed Sukuk and three Islamic exchange-traded funds to date. On top of this, implications from Brexit has also led the Kingdom to boost its international trade and financial relationships with existing non-EU trade partners, especially with key Islamic finance markets from the regions of the Middle East and Southeast Asia.

Last year's UK Islamic Finance Week saw many breakthrough sessions in a week-long event, including the official launch of IE5, an Islamic economy accelerator, during IFN Fintech Huddle UK. Following on from the success of 2018, IFN returns to London for the third time for various hard-hitting sessions and discussions in conjunction with leading European regulators, global standard-setters, world leaders and UK and European Islamic finance practitioners.

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#IFNUK2019

# An uncertain future but Islamic finance can lead the way in the UK

Any discussion on the UK financial services industry inevitably necessitates some commentary on the topic of Brexit. Now that the withdrawal date of the UK from the EU has been extended to October 2019, the post-Brexit landscape for the UK financial services sector is currently unknown. Nevertheless, Islamic finance is set to play a key role in ensuring that London, as well as the UK, maintains its position as a global center of international finance in a post-Brexit world. The rapid growth of Islamic finance in recent years in the UK has been led by supportive government policies, an extensive pool of professionals skilled in Islamic finance and an open economy that welcomes international investment. LINGXI WANG writes.



*Lingxi Wang is a senior associate at Foot Anstey. He can be contacted at [lingxi.wang@footanstey.com](mailto:lingxi.wang@footanstey.com).*

With over 20 banks offering Islamic financial services — six of these are fully Shariah compliant — and more than US\$5 billion of assets held by UK-based institutions that offer Islamic finance services, the UK, particularly the City of London, is one of the leading centers of Islamic finance outside of the Gulf and Asia.

In recent years, the UK government has taken steps to reinforce this position by taking fiscal and regulatory steps to ensure a level-playing field for Shariah compliant financial products. These have included the removal of double taxation on Shariah compliant mortgages and ensuring that returns and income payments from Sukuk are treated the same as conventional bonds.

To support the growth of Islamic banks in the UK and to assist them with compliance of the Basel III liquidity rules, the Bank of England (BoE) in 2017 established the Shariah Compliant Facility (SCF). This is the first non-interest-based liquidity facility to be developed by a major western central bank and permits UK Islamic banks to hold sterling deposits with the BoE. In September 2018, the BoE announced that it will set up an Alternative Liquidity Facility, a legal entity to house the SCF.

The UK sovereign Sukuk facility that was issued in 2014 is due for redemption in July 2019. The issuance of the Sukuk in 2014 was an important step for the UK in increasing the profile of Islamic finance alongside conventional financial services. HM

Treasury is currently assessing the possibility of a second issuance. According to TheCityUK, which led a consultation with Islamic banks, non-Islamic financial institutions and professional services companies on the 2014 UK sovereign Sukuk issuance, if a UK sovereign Sukuk facility is not available for Islamic banks in the UK, it would be difficult, if not impossible, for them to meet their regulatory requirements to hold liquidity buffers, notwithstanding the BoE's establishment of the SCF.

***The UK has the second-largest number of Islamic fintech companies after Malaysia***

In 2018, Al Rayan Bank issued a public sterling Sukuk facility backed by UK mortgages, helping to highlight the growing importance of the UK Sukuk market. The GBP250 million (US\$313.44 million) Sukuk facility was significantly oversubscribed which reflects the demand for Islamic financing instruments and the London Stock Exchange as a key venue for the issuance of Sukuk.

Islamic finance fintech is still at the embryonic stage of development, but the UK is well positioned to become a hub for Islamic fintech. The first Islamic fintech summit was held in London in the first quarter of 2019, bringing together banks, tech entrepreneurs, professional services companies and



investors. Yielders, a crowdfunding platform that assists individuals with real estate investment, received its certificate of Shariah compliance in 2017 making it the first Shariah compliant regulated fintech company in the UK. According to data from IFN Fintech, the UK has the second-largest number of Islamic fintech companies after Malaysia.

One sector of Islamic finance with particular scope for growth in the UK is Takaful. The London insurance market is a global commercial insurance and reinsurance hub meaning that the UK has the expertise to assist with the growth of the global Takaful market. In 2015, the Islamic Insurance Association of London was launched to support those working in the UK insurance and reinsurance market who deal with Islamic finance transactions. (P)



# Islamic finance: Boosted by Brexit?

While the lack of clarity around Brexit shows no signs of improving, strong opportunities remain for investors looking to grow their UK property portfolios. The uncertainty of the past two years has undoubtedly had a stagnating effect on UK property prices, with some areas noting a significant drop. However, there remains to be an opportunity to invest in a number of stable asset classes including build-to-rent which both local and international investors will find attractive. MOHAMMED SAQUB and ISHTEYAK HANNAN explore.



*Mohammed Saqub is a partner and Islamic finance specialist and*

*Isteayak Hannan is an Islamic finance solicitor at law firm Shakespeare Martineau. They can be contacted at [mohammed.saqub@shma.co.uk](mailto:mohammed.saqub@shma.co.uk) and [isteayak.hannan@shma.co.uk](mailto:isteayak.hannan@shma.co.uk) respectively.*



Despite Brexit delays discouraging European investments into the UK, relationships with other countries further afield are blossoming. While manufacturing, healthcare and retail sectors are continuing to be squeezed by Brexit uncertainty, the UK's strong reputation in the real estate market seems to be gaining pace, particularly for investors looking to take advantage of decreasing property prices.

**“ The build-to-rent market often provides Islamic investors with safe returns on their investment ”**

Unlike many other global markets experiencing political and potential economic turbulence, the UK's regulatory and legislative prowess is one of its greatest pulls. Still regarded as a 'safe haven' for those looking to invest in property, the opportunities — no matter whether commercial or residential — continue to flourish.

Choosing the location for an investment is important but having trusted banking partners is arguably just as vital. The increase in foreign bank subsidiaries

launching in the UK has confidently shown the commitment of the UK — and also that of the financial institutions in question — to overseas investors. Such banks pride themselves on being able to support their clientele in new locations across the globe, the UK included. The UK continues to support Islamic finance and remains committed to making foreign investments rewarding for individuals and businesses from the Middle East and the Far East who prefer to bank in a Shariah compliant manner.

Of course, there are concerns that continued political posturing will have a negative effect on foreign banks, including Islamic finance institutions. Most notably, those that depend on passporting rules, which allow foreign banks to sell services across Europe from a London base, will be paying close attention to new trade and immigration agreements. Therefore, the UK must continue to work hard to maintain its important role in banking and Islamic finance.

Although Brexit throws up a number of questions, it also encourages greater opportunities for new agreements and investments to be made. With this in mind, the UK government must continue to work on trade agreements with countries outside the EU, especially nations of the GCC including Qatar, Saudi Arabia, the UAE and Bahrain, and further afield to the Far East. According to YouGov, 77% of GCC investors already view the UK as one of the top overseas property investment destinations.

Preservation of wealth is considered as one of the five necessities in Islam and in a real estate context, the build-to-rent

market often provides Islamic investors with safe returns on their investment. The build-to-rent model forms a part of a recent shift in the UK real estate market, which aims to provide more varied and flexible accommodation that is more aligned with modern attitudes to housing and home ownership.

Importantly, the model meets the needs of an increasingly transient student and working population. The schemes are proving popular in the UK's student towns and cities, where graduates look for post-university accommodation and do not necessarily see themselves settling in one location for the long term. Build-to-rent schemes often feature spacious communal living areas, in-built wi-fi and other facilities such as gyms and concierge services.

Many believe that build-to-rent schemes are a legitimate part of the solution to the UK housing crisis — increasing the supply of good quality homes, while providing investors with stable, long-term income streams. These key features make build-to-rent attractive to some Middle Eastern and foreign investors who often prefer to hold on to assets as opposed to the traditional build-to-sell approach.

Against the backdrop of ambiguity around Brexit, the outlook for this sector appears to be strong. The key to ensuring that the UK remains a hub for banking and inward investment, including Islamic finance, will be to continue with the message that the UK is very much open for business and understands the regulations of foreign investment, including those investing in real estate in the UK from the Muslim world. ☺



# Islamic fund and wealth management: A way forward

By Razali Haron and Adam Abdullah

**This book specifically provides updated information on fund and wealth management with regards to current policies and best practices. Empirical findings, case studies discussions, seminal as well as recent related literature are gathered in this book to cater to everyone inside or outside the fund and wealth management industry.**

With Shariah as the governing principles, the fund and wealth management industry has remarkably flourished throughout the years. Parallel with the consistent and coherent growth, this book offers insights and in-depth investigations covering different aspects that may influence the continuous prosperity of this industry and caters to all players in the field. This book is definitely a must-have tool for everyone.

Among the related issues discussed are the issuance and trading process of Malaysian sovereign sukuk as well as the structures commonly used in sukuk issuance to address the current trend of demand for Malaysian sovereign sukuk by foreign investors. Waqf is also discussed in this book by looking at how Waqf, when integrated with the element of crowdfunding, can become a sustainable source of funding for the development of Waqf lands that have been left idle due to financial constraints.

A voluntary long-term private investment scheme has been suggested as retirement planning for remisers responding to the harshness facing the remisers. The optimal level of gold as a reserve asset to be held in portfolios of central banks in order to enhance the stability of nations in times of economic, financial and/or geopolitical turmoil given gold's characteristics as a safe haven asset and a store of value is also put forth in this book. The choice between Shariah compliant and non-Shariah compliant stocks, discussion on the factors that influence people to choose a Shariah retirement fund, an examination of the importance of the Shariah Governance Framework in a government-linked investment company and the surplus management in Pakistan's Takaful industry with regards to regulations and practices are articulated. How Islamic trust services can serve as a viable Shariah

compliant option which helps to smoothen the process and assure that a fair estate distribution can be executed to legal heirs is also discussed. Also discussed are the challenges in current estate planning and current resolutions on estate planning and how Shariah compliant models of Islamic trust services based on Hibah Mu'allaqah and trust with a declaration of Hibah are proposed in providing more efficient estate planning and management.

The issue of hedging in Malaysia and the understanding of Islamic crowdfunding as an alternative instrument of financing for cooperatives' operation and execution of specific projects are also discussed here as well as the significant differences between risk and return and how a Shariah stock portfolio is considered better in terms of risk-adjusted returns compared to the conventional portfolio. Shariah compliant issues in relation to Islamic wealth management are also put forth using a Maqasid-based perspective with examples from a case study of Malaysia. There is

also a discussion on how consecutive debt-taking behavior can elevate financial well-being and lifestyle satisfaction of households. Nevertheless, regular charity-giving is identified as a must in lifestyle for such outcomes to be achieved among the low-income households.

This compilation also provides information on debt from a Shariah perspective and the issues related to the practicality of a debt management program which unravel the gray areas that require the future focus of researchers. A study on India revealed that political challenges, lack of confidence, awareness, education, lack of demand, lack of human capital, religious-based terminologies, lack of proper Shariah governance and absence of marketing strategies have been identified as the key challenges for the success of Shariah mutual funds in India. The debt determinants of Shariah-approved firms in Malaysia as well as the effect of industry type in determining the debt level of the firms are also addressed as well. (P)



## DEALS

### BNM floats Islamic liquidity management papers

**MALAYSIA:** Bank Negara Malaysia (BNM) has sold three Islamic short-term money market instruments for a total of RM10.67 billion (US\$2.6 billion), according to separate announcements.

BNM also sold two short-term Shariah securities for a total of RM11.2 billion (US\$2.72 billion).

BNM further placed three Shariah papers for RM10.42 billion (US\$2.53 billion). All the securities were fully subscribed.

BNM in addition placed one Money Market Tender Qard-Islamic Range Maturity facility and one Money Market Tender Murabahah Overnight Borrowing Acceptance Islamic paper for the total amount of RM10.89 billion (US\$2.65 billion).

BNM separately sold four short-term Islamic liquidity management tools for a total of RM9.46 billion (US\$2.3 billion). <sup>(2)</sup>

### Indonesia reopens Sukuk auction

**INDONESIA:** The Ministry of Finance of Indonesia has conducted an auction for six Islamic papers on the 23<sup>rd</sup> July. According to a statement, the auction consisted of the reopening of SPN-S 10012020, PBS014, PBS015, PBS019, PBS021 and PBS022. The indicative target for the issuances is IDR8 trillion (US\$573.6 million). The outcome of the auction has yet to be announced at the time of publication. <sup>(2)</sup>

### CBB prints Sukuk Salam

**BAHRAIN:** The Central Bank of Bahrain (CBB)'s monthly 91-day Sukuk Salam

issuance worth BHD43 million (US\$113.29 million) has received bids totaling BHD137.48 million (US\$362.22 million). The paper carries an expected return of 3.09% and will mature on the 16<sup>th</sup> October 2019, according to an announcement. <sup>(2)</sup>

### CBG's Sukuk Salam oversubscribed

**GAMBIA:** The Central Bank of Gambia (CBG) on the 17<sup>th</sup> July 2019 sold three-month, six-month and one-year Sukuk Salam papers for GMD10 million (US\$199,399) each, according to a statement. All three papers were oversubscribed.

Separately, the apex bank will be placing three-month, six-month and one-year Sukuk Salam facilities for GMD10 million each on the 24<sup>th</sup> July. <sup>(2)</sup>

### Gamuda offers 92-day ICP

**MALAYSIA:** Gamuda has issued a 92-day Islamic commercial paper (ICP) amounting to RM50 million (US\$12.16 million), according to an announcement. The paper follows the Murabahah structure and is rated 'P1' by RAM Ratings. <sup>(2)</sup>

### Bangladesh Bank issues BGIIBs

**BANGLADESH:** Bangladesh Bank has auctioned three-month and six-month Bangladesh Government Islami Investment Bonds (BGIIBs), receiving three bids and nine bids worth BDT1.81 billion (US\$21.02 million) and BDT13.14 billion (US\$152.58 million) respectively, according to a statement. The profit-sharing ratio of the accepted bids was 90:10.

Bangladesh Bank also auctioned another set of three-month and six-month BGIIBs,

receiving one bid and eight bids worth BDT1 billion (US\$11.61 million) and BDT8.01 billion (US\$92.99 million) respectively. The profit-sharing ratio of the accepted bids was 90:10. <sup>(2)</sup>

### STSSB places IMTN and ICPs

**MALAYSIA:** Sunway Treasury Sukuk (STSSB) has issued a one-year Islamic medium-term note (IMTN) for the total amount of RM300 million (US\$72.98 million), according to a statement. The paper carries a 3.75% profit rate and will mature on the 16<sup>th</sup> July 2020.

STSSB separately issued two 31-day Islamic commercial papers (ICPs) for a total of RM250 million (US\$60.79 million). <sup>(2)</sup>

### Brunei sells 91-day Sukuk Ijarah

**BRUNEI:** The government of Brunei has printed its 171<sup>st</sup> short-term Sukuk Ijarah for the amount of BN\$100 million (US\$73.49 million), according to an announcement by Autoriti Monetari Brunei Darussalam. The 91-day paper has a rental rate of 1.63%.

With the latest series, Brunei has thus far issued over BN\$12.98 billion (US\$9.54 billion)-worth of short-term Sukuk Ijarah securities since the first offering on the 6<sup>th</sup> April 2006 while the total holdings of the Brunei government Sukuk outstanding as at the 11th July 2019 stood at BN\$322 million (US\$236.63 million). <sup>(2)</sup>

### CBK places Tawarruq papers

**KUWAIT:** The Central Bank of Kuwait (CBK) has auctioned KWD240 million (US\$785.95 million)-worth of three-month conventional bonds and related Tawarruq facilities. The offerings received KWD2.61 billion (US\$8.55 billion) in bids and carry a profit rate of 3%, according to an announcement. <sup>(2)</sup>

#### DEAL TRACKER

Full Deal Tracker on page 36

EXPECTED DATE	COMPANY / COUNTRY	SIZE	STRUCTURE	ANNOUNCEMENT DATE
TBA	Emirates Strategic Investments Company	TBA	Five-year Sukuk	16 <sup>th</sup> July 2019
TBA	Eskom	TBA	Sukuk	10 <sup>th</sup> July 2019
TBA	DP World	TBA	US dollar-denominated Sukuk	9 <sup>th</sup> July 2019
2019	Warba Bank	US\$500 million	Sukuk	4 <sup>th</sup> July 2019
TBA	Warba Bank	US\$2 billion	Sukuk program	4 <sup>th</sup> July 2019

## SCC issues Musharakah-based ICP

**MALAYSIA:** Sabah Credit Corporation (SCC) has issued one Musharakah-based Islamic commercial paper (ICP) worth RM50 million (US\$12.14 million). The 183-day paper is rated 'P1' by RAM Ratings, according to an announcement. (F)

## Kazakhstan maintains strong ties with the UAE

**KAZAKHSTAN:** As Kazakhstan bids to become a regional financial center and fintech hub for Central Asia, it is maintaining bilateral trade ties with the UAE. Kairat Kelimbetov, the governor of the Astana International Finance Centre, told Gulf Today that Dubai — and the Dubai International Finance Centre (DIFC) specifically — is a great example to follow. He also mentioned a plan to issue Sukuk, as well as working on dual listings with NASDAQ Dubai. (F)

## Warba Bank gets nod for Sukuk

**KUWAIT:** Warba Bank has received the Central Bank of Kuwait's preliminary approval to issue Sukuk not exceeding US\$500 million under a Sukuk program not exceeding US\$2 billion, according to a bourse filing.

The regulator's final approval is subject to Warba Bank's submission of the Sukuk prospectus. (F)

## Bright Focus to buy back Sukuk

**MALAYSIA:** Bright Focus is planning a restructuring exercise to buy back Sukuk worth RM1.23 billion (US\$298.87 million), either fully or partially. According to Bernama, the company has

involved several international banks to implement a proposed restructuring scheme involving the conversion of a previously issued Sukuk to new Sukuk issuance within the next 90 days, subject to due diligence by the banks. (F)

## Saudi closes July Sukuk issuance

**SAUDI ARABIA:** The Saudi Ministry of Finance has issued Sukuk worth SAR5.22 billion (US\$1.39 billion) for July, under the Saudi Arabian Government SAR-denominated Sukuk program, according to a statement.

The issuance was divided into three tranches: the first tranche was issued at SAR1.96 billion (US\$522.39 million), maturing in 2024; the second tranche was floated at SAR405 million (US\$107.94 million), maturing in 2028; and the third tranche was floated at SAR2.86 billion (US\$762.27 million), maturing in 2034. (F)

## DP World lists Sukuk

**UAE:** NASDAQ Dubai has welcomed the listing of a US\$1 billion Sukuk facility and a US\$300 million conventional bond (a tap issuance on a one billion US dollar bond issued in September 2018) by DP World, according to a statement. (F)

## Turkiye Finans issues Sukuk

**TURKEY:** Turkiye Finans Participation Bank has announced via a statement that it has floated a 60-day domestic Sukuk paper worth TRY150 million (US\$26.41 million). The issuance was floated via the bank's subsidiary, TF Varlik Kiralama Sirketi, and was structured for qualified investors.

The latest facility brings the total amount of outstanding local currency Sukuk

issuances of the bank to TRY2.58 billion (US\$454.29 million) and the total issuances in 2019 to TRY5.24 trillion (US\$922.67 billion). (F)

## AEON Credit Service prints ICP

**MALAYSIA:** AEON Credit Service has raised RM210 million (US\$51.03 million) from one 31-day Murabahah-based Islamic commercial paper (ICP) rated 'P1' by RAM Ratings, according to an announcement. (F)

## CBI sells Islamic certificates of deposits

**IRAQ:** The Central Bank of Iraq (CBI) has floated 182-day Islamic certificates of deposits worth US\$100 million. The apex bank received two bids amounting to US\$33.2 million and awarded US\$33 million, according to a statement. The facility, which was auctioned on the 15<sup>th</sup> July 2019, carries a cut-off yield of 2%. (F)

## Bumitama Agri places two IMTNs

**MALAYSIA:** Bumitama Agri has issued two Islamic medium-term notes (IMTNs) for a total amount of RM700 million (170.23 million), according to separate announcements. The IMTNs, based on the Musharakah concept, have tenors of five years and seven years with profit rates of 4.1% and 4.2% respectively. (F)

## Emaar's Sukuk delisted

**UAE:** Dubai Financial Services Authority and NASDAQ Dubai have announced in separate statements that they have delisted Emaar Sukuk's US\$500 million facility following complete and final redemption on the 18<sup>th</sup> July 2019. (F)

# AFRICA

## Hijra Bank launches sales of public shares

**ETHIOPIA:** Hijra Bank is set to become one of the few banks in Ethiopia to practice Islamic banking as it has announced the launch of sales of public shares, which will be conducted at nine different banks.

Hijra Bank is being established with a registered capital of ETB1 billion (US\$34.17 million), reported Capital Ethhiopia quoting Ahabu Abdella, the

founder of the organizing teams of the bank. (F)

## ITFC donates fertilizers to NFSC

**GAMBIA:** The National Food Security Processing and Cooperation (NFSC) has received about 21,340 bags of NPK fertilizers from Vietnam, donated by the International Islamic Trade Finance Corporation (ITFC), The Point reported.

The NFSC is the body that replaced the Gambia Groundnut Cooperation and

the main purpose for the purchase of these fertilizers is to provide farmers with quality input at a subsidized price as they approach the rainy season. (F)

## FRA approves Sarwa Capital's bonus share issue

**EGYPT:** Egypt's Financial Regulatory Authority (FRA) has announced the approval of Sarwa Capital Holdings's proposal to distribute three bonus shares for every five shares, increasing the company's issued capital from EGP119.7 million (US\$7.19 million) to EGP191.52 million (US\$11.5 million). (F)



## Faisal Islamic Bank increases capital

**EGYPT:** Faisal Islamic Bank has announced its shareholders' approval of increasing the company's authorized capital from US\$500 million to US\$1 billion, according to a filing on the Egyptian Exchange, as reported by Arab Finance. The capital will be

distributed over 440.19 million shares instead of the previous 366.8 million shares. (📰)

## Ivory Coast works on Islamic microfinance bill

**IVORY COAST:** The Ivory Coast's Committee on Economic and Financial Affairs has approved a bill

accommodating Islamic microfinance, News Abidjan reported. (📰)

## BIS launches new application

**SENEGAL:** Banque Islamique du Senegal (BIS) has launched its new application called Tamweel Touch that enables customers to pay bills, purchase mobile credit and transfer funds, among others, Financial Afrik reported. (📰)

## ASIA

### Bareksa launches platform for Umrah savings

**INDONESIA:** Investment marketplace Bareksa has introduced Bareksa Umroh, its new platform offering Shariah compliant mutual funds for customers to finance their Umrah pilgrimage. Bareksa is partnering with Umrah and Hajj travel agent Al-Qadri Umrah and Haji to add value to the savings plan service. (📰)

### BPC to receive financing from ITFC

**BANGLADESH:** State-run oil marketing arm Bangladesh Petroleum Corporation (BPC) is set to receive a financing worth US\$1.2 billion from the International Islamic Trade Finance Corporation (ITFC) to import petroleum products in the 2020 calendar year, Financial Express reported. The facility carries an interest rate of 4.5%, which the ITFC calls a mark-up rate. (📰)

### BPAM to launch ESG Bond Index Series

**MALAYSIA:** Bond Pricing Agency Malaysia (BPAM) will launch Malaysia's first Environmental, Social and Governance (ESG) Bond Index Series on the 25<sup>th</sup> July 2019, according to a statement.

The BPAM ESG Bond Index Series covers Malaysian ringgit-denominated, long-term conventional and Sukuk, classified within the ESG principles. It also consists of bonds that were issued under or aligned with the Securities Commission Malaysia's Sustainable and Responsible Investment Sukuk framework, the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, ASEAN Sustainability Bond Standards and the UN Sustainable Development Goals. (📰)

### Bank Islam to provide more online banking services

**MALAYSIA:** Bank Islam Malaysia has signed MoUs with licensed e-money issuer KiplePay and mobile payment provider BerryPay to introduce more online banking options to its customers. According to Bernama, BerryPay will provide mobile remittance services to serve foreign worker account holders by bridging them through a unique e-banking system of pseudo bank accounts to other banked and non-banked recipients, and vice-versa.

Meanwhile, KiplePay will roll out a new payment channel for Bank Islam via quick response, which will allow customers to do mobile reloads and in-app marketing. (📰)

### Kazakhstan's Islamic finance masterplan underway

**KAZAKHSTAN:** The Astana International Financial Centre (AIFC) has appointed ZICO Shariah to create a comprehensive five-year masterplan to develop Kazakhstan's Islamic finance industry. The masterplan's key elements include developing the sectors of Islamic banking, Takaful and capital market, and integrating Islamic finance with Halal industries. (📰)

## EUROPE

### Al Rayan Bank recognized by LSE

**UK:** Al Rayan Bank, the UK's oldest and largest Islamic bank, has been identified in the London Stock Exchange (LSE) Group's '1,000 Companies to Inspire Britain' 2019 report, a report that celebrates the fastest-growing and most dynamic SMEs over 40 sectors. The bank currently serves over 85,000 customers and, as at the end of June 2019, had an asset book in excess of GBP2.05 billion (US\$2.56 billion). (📰)

## GLOBAL

### Al Baraka collaborates with ADIB

**GLOBAL:** Al Baraka Banking Group has signed an MoU with Abu Dhabi Islamic Bank (ADIB) in an aim to allow both banks' collective network to exchange customer referrals and fortify processing customer payments and collections. The partnership will also allow both entities to provide their customers with access to wider markets and collaborate on cross-selling in the area of payments and collections. (📰)



## IFN ONLINE DIRECTORY

Over 6,955 individual companies directly involved in the Islamic finance industry

## MIDDLE EAST

### ADGM rolls out rules for robo-advisors

**UAE:** The Financial Services Regulatory Authority (FSRA) of the Abu Dhabi Global Market (ADGM) has established a regulatory framework for robo-advisors operating in the ADGM.

According to a statement, the framework touches on regulatory permissions that may be required to provide robo-advisory services in or from the ADGM, as well as how the FSRA will apply its authorization criteria in key existing areas of technology governance, suitability and disclosure, and newer areas such as algorithm governance.

The framework also mentions the FSRA's requirements, including human oversight over the design, performance and security of the algorithm model; ensuring that the algorithm model is not affected by possible behavioral biases; adequate safeguards to protect the integrity of the algorithm model; and ensuring the outcomes produced by the algorithm model are explainable, traceable and repeatable. (2)

### Invesco's ETCs receive Shariah compliance confirmation

**UAE:** Amanie Advisors in a statement has announced that its Shariah supervisory board has performed its annual supervision on Invesco's exchange-traded certificates (ETCs) for the year ended the 31<sup>st</sup> December 2018, and has concluded that Invesco has operated in an excellent manner.

The board confirmed that the audited certificates, namely Invesco Physical Gold ETC and Invesco Physical Silver ETC, are Shariah compliant. (2)

### Iraqi Deposit Insurance Company issues shares

**IRAQ:** The Iraqi Deposit Insurance Company has announced the issuance of shares amounting to IQD45 billion (US\$37.45 million) to the public for subscription. (2)

### CMA fines Bank Albilad

**SAUDI ARABIA:** The Capital Market Authority (CMA) has imposed a fine of SAR10,000 (US\$2,665.38) on Bank Albilad, which offers Islamic solutions,

due to the bank's violation of certain provisions of the Capital Market Law and a CMA circular, as it failed to provide the CMA with information related to it for the fiscal year ended on the 31<sup>st</sup> December 2018 within the specified period, according to a statement. (2)

### GFH Financial Group closes real estate deal

**BAHRAIN:** Shariah compliant GFH Financial Group has acquired a tech offices portfolio in the US through its fully-owned subsidiary GFH Capital, according to a bourse filing. The deal is worth over US\$100 million.

The portfolio consists of five income-yielding buildings located in Research Tringle Park, which is the largest scientific research park in the US. GFH will hold 4.75%, GFH's investors will hold up to 90.25% of the portfolio with the remaining 5% to be held by Global Mutual and its affiliates.

The investment is expected to make a return on investment of 150% over the investment period of three to five years and will accordingly have a positive impact on GFH's 2019 financials.

It is to be noted that with the completion of this deal, the total volume of US and UK real estate transactions executed by GFH over the last few years has crossed the US\$1 billion mark. (2)

### National Bonds receives license from Saudi CMA

**SAUDI ARABIA:** The Capital Market Authority (CMA) of Saudi Arabia has issued a license to the UAE's National Bonds Company to conduct investment fund management, and arranging and advising activities in the securities business, in the Kingdom. The company has AED7 billion (US\$1.91 billion) of assets under management. (2)

### Alkhair Capital raises capital

**SAUDI ARABIA:** Alkhair Capital has received approval from the Saudi Arabian Capital Market Authority to raise its paid-up capital from SAR300 million (US\$79.89 million) to SAR1 billion (US\$266.53 million).

The company announced that this new injection of capital is to be distributed across several financial investment products, including support for margin

financing, expansion in underwriting and IPO management, as well as the establishment of strategic funds in sectors including healthcare, education and fintech. (2)

### Aafaq Islamic Finance considers IPO

**UAE:** Aafaq Islamic Finance, currently a private non-listed company, is planning to go public in two years, according to Managing Director and CEO Saif Ali Al Shehhi in a press statement. The company is considering an IPO, with AED635 million (US\$172.85 million) in capital. (2)

### Saudi Marketing Company renews Islamic facility

**SAUDI ARABIA:** The Saudi Marketing Company has renewed an Islamic facility worth SAR130 million (US\$34.65 million) with Al Enma Bank to finance its working capital requirements, according to a bourse filing.

The financing, which is extended to the 30<sup>th</sup> April 2020, is sponsored by the Development Bank. (2)

### Ajman Bank opens new branch

**UAE:** Ajman Bank has opened a new branch in Abu Dhabi's Dalma Mall, featuring state-of-the-art design and cutting-edge digital banking and payment solutions such as the first compact cash Automated Teller System, an innovative system that simplifies and accelerates cash transactions.

The system is provided by innovation and technology service provider CNS Middle East (Computer Network Systems). (2)

### Iran's market capitalization and deposits increase

**IRAN:** The total market capitalization of Iran's four bourses, namely Tehran Stock Exchange, Iran Fara Bourse, Iran Mercantile Exchange and Iran Energy Exchange, has reached IRR12.28 quadrillion (US\$291.29 billion) as of the 21<sup>st</sup> June, Financial Tribune reported, quoting a report by the Statistics and Risk Analysis Department of Securities and Exchange Organization, published on the Securities and Exchange News Agency's website. It represents a 9.3% increase in comparison with the previous month.

Total Iranian deposits meanwhile reached IRR20.83 quadrillion (US\$494.1 billion) as at the 20<sup>th</sup> April 2019, the Financial Tribune reported, citing the Central Bank of Iran. It represents a 24.2% growth in comparison with the same period a year before. Deposits include both domestic and foreign currencies. (📰)

## TSE increases capital

**IRAN:** The Tehran Stock Exchange (TSE) has held its annual meetings on the 20<sup>th</sup> July 2019, where the financial statements of the fiscal year ended the 20<sup>th</sup> March 2019 were approved.

The shareholders also concurred with the majority for the TSE's capital increase to IRR2 trillion (US\$47.44 million), funded by retained earnings and contingent reserves. (📰)

## NBB proposes voluntary takeover bid to BisB

**BAHRAIN:** Bahrain Islamic Bank (BisB) has received a letter from the National Bank of Bahrain (NBB) expressing the latter's interest in resuming discussions in relation to potentially extending an offer to BisB shareholders, through a voluntary takeover bid, subject to a short, confirmatory due diligence exercise, according to a bourse filing.

However, BisB has not received any formal voluntary takeover offer for the issued shares of BisB. (📰)

## DFSA joins NGFS

**UAE:** The Dubai Financial Services Authority (DFSA) has become one of the first regulatory authorities in the MENA region to join the Central Banks and

Supervisors Network for Greening the Financial System (NGFS).

According to a statement, the NGFS is a community of central banks and supervisors who exchange experiences, share best practices and contribute to the development of environment and climate risk management in the financial sector.

The NGFS also helps to strengthen the global response required to meet the goals of the Paris Agreement, and to enhance the role of the financial system to manage risks and to mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development. (📰)

## TAKAFUL

### Cobalt distributes Islamic surplus to charity

**UK:** Chaucer Syndicate, operating an Islamic insurance window through the Shariah compliant services provided by Cobalt Underwriting, has announced that it has donated a surplus from its first year of operations in 2015 to the Teenage Cancer Trust. According to a statement,

the surplus, touted to be the first-ever Shariah compliant surplus in London, amounted to GBP4,700 (US\$5,851.47). (📰)

### Pak-Qatar Family Takaful opens new branch

**PAKISTAN:** Pak-Qatar Family Takaful has opened a new branch near Expo Centre, on the main university road in Gulshan-e-Iqbal in Karachi, according to a press release. (📰)

### SAMA renews insurance license of UCIC

**SAUDI ARABIA:** The Saudi Arabian Monetary Authority (SAMA) has renewed the license of the Union Cooperative Insurance Company (UCIC) to issue general and health insurance policies in the Kingdom for a period of three years starting the 20<sup>th</sup> Rabea' Al Awwal 1441H (17<sup>th</sup> November 2019). (📰)

## RESULTS

### Kuwait Finance House

**KUWAIT:** The chairman of Kuwait Finance House (KFH), Hamad Abdulmohsen Al-Marzouq, has announced that it has recorded a net profit of KWD107.7 million (US\$352.7 million) for the first half of 2019 (H1 2019) for KFH shareholders, an increase of 13.13% compared with KWD95.2 million (US\$311.76 million) recorded in the same period in the previous year.

Total finance income for H1 2019 reached KWD460.5 million (US\$1.51 billion), an increase of 8.6% from 2018. (📰)

### Qatar Islamic Bank

**QATAR:** Qatar Islamic Bank has announced its net profit for the first half of 2019 amounting to QAR1.43 billion (US\$389.2 million), representing a growth of 7.5% over the same period in the previous year. Total assets of the

bank now stand at QAR154.6 billion (US\$42.21 billion), driven by continued growth in financing and investing activities. (📰)

### Dubai Islamic Bank

**UAE:** Dubai Islamic Bank has reported a 13% jump in its group net profit for the first half of 2019 to AED2.75 billion (US\$748.55 million) from last year's AED2.44 billion (US\$664.17 million). According to a statement, its total income grew 25% to AED6.98 billion (US\$1.9 billion), while its net operating income rose 16% to AED4.7 billion (US\$1.28 billion). (📰)

### Emirates Islamic

**UAE:** Emirates Islamic has reported a 39% jump in its net profit to AED673 million (US\$183.2 million) for the first half of 2019. According to Khaleej Times, the bank's total income rose 10% year-on-year to AED1.3 billion (US\$353.86 million), while total assets

grew 5% to AED61.1 billion (US\$16.63 billion). (📰)

### First Abu Dhabi Bank

**UAE:** First Abu Dhabi Bank has announced in a press release its net profit for the first half of 2019 amounting to AED6.3 billion (US\$1.71 billion), showing a growth of 4% from the previous year. (📰)

### RAKBANK

**UAE:** The National Bank of Ras Al Khaimah (RAKBANK) has reported a consolidated first-half net profit of AED554.9 million (US\$151.04 million) in 2019, up 28.5% year-on-year, according to an official statement. Its net interest income and net income from Islamic finance grew 1.6% year-on-year to AED1.4 billion (US\$381 million), and non-interest income increased by AED108.3 million (US\$29 million) to AED614.2 million (US\$167 million). (📰)



## ASSET MANAGEMENT

### Perth Mint lists gold ETF on NYSE

US: The Perth Mint, which offers Shariah compliant gold investment products, has listed its Perth Mint Physical Gold ETF (exchange-traded fund) on the New York Stock Exchange (NYSE), according to an announcement. (📌)

### Wahed Invest launches debut ETF

US: Halal-focused investment firm Wahed Invest has launched its debut exchange-traded fund (ETF) — the

Wahed FTSE USA Shariah ETF. Listed on NASDAQ, the fund provides exposure to US large and mid-cap firms that comply with Shariah principles. Screening is undertaken by Yasaar Research, the FTSE USA Shariah Index's Shariah consultant. (📌)

### GFH acquires healthcare portfolio

BAHRAIN: GFH Capital, a subsidiary of GFH Financial Group, has acquired a diversified senior healthcare portfolio in the US, in partnership with Madison Marquette. The deal exceeds US\$180 million in value, and consists of six income-yielding senior healthcare properties located in the US states of California, Washington and Michigan. (📌)

### Investcorp Technology Partners closes deal

BAHRAIN: Investcorp Technology Partners, a European lower middle market technology investor, has acquired a majority stake in Contentserv, a provider of product information management software, for an undisclosed consideration, according to a press release.

The acquisition is the sixth deal from its US\$400 million Fourth Technology Fund and the second acquisition of a software company in the DACH region (Germany, Austria and Switzerland) within a year. (📌)

## RATINGS

### MARC assigns 'AA-IS' to KAJV Sukuk

MALAYSIA: Malaysian Rating Corporation (MARC) has assigned an 'AA-IS' rating to Konsortium KAJV's Sukuk Wakalah program worth RM1 billion (US\$243.28 million), according to a statement. The rating action reflects the credit strength of the Terengganu state government to meet the unconditional and irrevocable payment obligations on the facility payment certificates issued for work done for the Kuala Terengganu Utara water supply project. (📌)

### Puncak Wangi's IMTN program reaffirmed

MALAYSIA: RAM has reaffirmed the 'AAA(fg)/Stable' rating on Puncak Wangi's guaranteed Islamic medium-term note (IMTN) program of up to

RM200 million (US\$48.57 million) (2014/2022), according to a statement.

The enhanced rating reflects an irrevocable and unconditional guarantee extended by Danajamin Nasional, which enhances the credit standing of the IMTN beyond Puncak Wangi's stand-alone credit strength. (📌)

### KEV's Sukuk Ijarah affirmed

MALAYSIA: MARC has affirmed its 'AA+IS' rating on Kapar Energy Ventures's (KEV) RM2 billion (US\$486.55 million) Sukuk Ijarah with a stable outlook, according to a press release.

KEV, which is a 60%-owned subsidiary of Tenaga Nasional, owns and operates Kapar Power Station which has four generating facilities with a combined nominal capacity of 2,420 MW. The power plant has continued to face operational challenges during the

review period with one of its generating facilities exceeding the unplanned outage rates. MARC views the generating facilities would remain susceptible to operational and technical issues arising from their age and design. (📌)

### Fitch updates Sukuk rating criteria

GLOBAL: Fitch has updated its criteria for rating Sukuk, applicable to originator-backed (or asset-based) Sukuk structures. Fitch's analytical assumption under these criteria is that the structure of the Sukuk and the underlying transactions provide for full recourse to the originator, and the Sukuk rating is driven solely by the originator's rating.

The update does not affect or change existing transactions, and does not apply to asset-backed Sukuk. (📌)

## MOVES

### SABB Takaful

SAUDI ARABIA: SABB Takaful has announced in a bourse filing the appointment of **Mohammed Abdulaziz Alshaya** and **Sami Jadaan Al Muhaid** as the chairman and deputy chairman respectively of the board of directors. (📌)

### Ajman Bank

UAE: Ajman Bank has announced in a press release the promotion of three of its senior executives. **Omar Abdulla AlNuaimi** was appointed the assistant

vice-president — head of administration, **Hajar Mohammad Al Mazam** was named as the vice-president — head of information technology and **Saqr Hamdan Alzaabi** was appointed as the vice-president — head of branches network. (📌)

### Bank Dhofar

OMAN: Bank Dhofar has announced the promotion of **Dr Tariq Saleh Mohamed Taha** to deputy general manager and chief digital banking and information officer, effective the 21<sup>st</sup> July 2019. Dr Tariq has more than 23 years of

experience in telecommunications, banking, and oil and gas. (📌)

### Waha Capital

UAE: Waha Capital, which offers Islamic financing solutions, has announced in a statement that it has appointed **Amr Al Menhali** as its new CEO. Amr, whose appointment will be effective in September 2019, currently sits on the boards of several companies operating in the financial sector and is also a board member of the UAE Banking Federation. (📌)

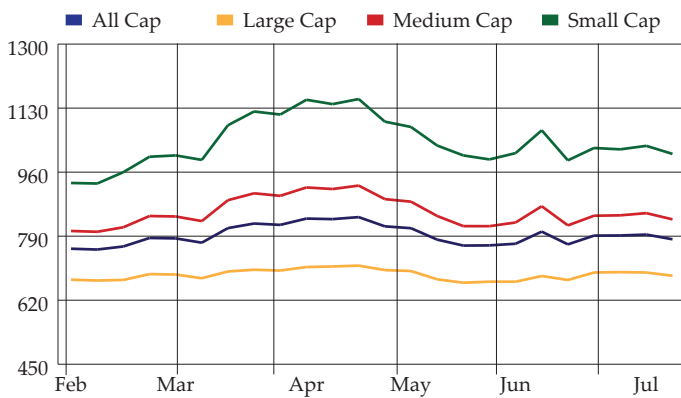
# DEAL TRACKER

Expected date	Company/country	Size	Structure	Announcement Date
TBA	Emirates Strategic Investments Company	TBA	Five-year Sukuk	16 <sup>th</sup> July 2019
TBA	Eskom	TBA	Sukuk	10 <sup>th</sup> July 2019
TBA	DP World	TBA	US dollar-denominated Sukuk	9 <sup>th</sup> July 2019
2019	Warba Bank	US\$500 million	Sukuk	4 <sup>th</sup> July 2019
TBA	Warba Bank	US\$2 billion	Sukuk program	4 <sup>th</sup> July 2019
TBA	Cypark Resources	RM550 million	Sukuk program	3 <sup>rd</sup> July 2019
TBA	Tropicana Corporation	RM2 billion	Unrated perpetual Sukuk program	24 <sup>th</sup> June 2019
TBA	UK	TBA	Sukuk	21 <sup>st</sup> June 2019
TBA	BankIslami Pakistan	PKR2 billion	Sukuk Mudarabah	14 <sup>th</sup> June 2019
TBA	The First Group	US\$135 million	Sukuk	13 <sup>th</sup> June 2019
TBA	CIAF Leasing	US\$50 million	Sukuk	12 <sup>th</sup> June 2019
TBA	Telekosang Hydro One	RM470 million	Green Sukuk	7 <sup>th</sup> June 2019
20 <sup>th</sup> August 2019	Turkish Treasury	TRY500 million	Two-year lease certificate	4 <sup>th</sup> June 2019
TBA	Turkish Treasury	TBA	Euro denominated fixed rent rate lease certificates	28 <sup>th</sup> May 2019
TBA	Dayang Enterprise Holding	TBA	Sukuk program	21 <sup>st</sup> May 2019
2020	Kazakhstan	TBA	Sukuk	17 <sup>th</sup> May 2019
TBA	Turkish Airlines	TBA	Sukuk or bonds	8 <sup>th</sup> May 2019
TBA	Kenya	KES250 billion	Sukuk or bonds	6 <sup>th</sup> May 2019
Third quarter of 2019	Saudi Arabia	US\$3–5 billion	Sukuk	3 <sup>rd</sup> May 2019
TBA	Securities and Exchange Organization of Iran	IRR10 trillion	Sukuk	2 <sup>nd</sup> May 2019
TBA	Meezan Bank	PKR6 billion	Tier 2 Sukuk	1 <sup>st</sup> May 2019
TBA	FlyDubai	TBA	Sukuk or combination of Sukuk and bank loans	29 <sup>th</sup> April 2019
2019	Saudi Real Estate Refinance Company	SAR4 billion	Sukuk	24 <sup>th</sup> April 2019
Over the next 10 years	Oman Aviation Group	US\$6 billion	Sukuk	24 <sup>th</sup> April 2019
TBA	Masood Textile Mills	PKR5 billion	Sukuk	12 <sup>th</sup> April 2019
Fiscal year starting July 2019	Egypt	TBA	Sukuk	12 <sup>th</sup> April 2019
TBA	Pakistan	PKR200 billion	Sukuk	29 <sup>th</sup> March 2019
TBA	Permodalan Nasional	TBA	Exchangeable Sukuk or bonds	22 <sup>nd</sup> March 2019
TBA	National Iranian Oil Company	IRR20 trillion	Sukuk Manfaat	15 <sup>th</sup> March 2019
TBA	Persian Gulf Petrochemical Plant	IRR10 trillion	Sukuk Ijarah	14 <sup>th</sup> March 2019
TBA	Alliance Islamic Bank	RM300 million	Islamic commercial paper program	14 <sup>th</sup> March 2019
TBA	Alliance Islamic Bank	RM2.5 billion	Sukuk Program	14 <sup>th</sup> March 2019
TBA	Social Security Organization	IRR6 trillion	Sukuk Ijarah	12 <sup>th</sup> March 2019
TBA	Saipa Co	IRR7 trillion	Sukuk Murabahah	12 <sup>th</sup> March 2019
TBA	Dubai Islamic Bank	US\$1 billion each	Additional Tier 1 Sukuk and Tier 2 Sukuk	8 <sup>th</sup> March 2019
TBA	Rail Pardaz Seri	IRR1 trillion	Sukuk	7 <sup>th</sup> March 2019
Throughout 2019	IDB	US\$2 billion	Sukuk	1 <sup>st</sup> March 2019
TBA	Pasukhas Green Assets	RM17 million	First tranche of ASEAN Green SRI Sukuk	26 <sup>th</sup> February 2019
Throughout 2019	Indonesian Ministry of Finance	TBA	Three savings Sukuk and one retail Sukuk	25 <sup>th</sup> February 2019
TBA	Emirates Islamic	US\$2.5 billion	Sukuk Program	22 <sup>nd</sup> February 2019

# REDMONEY SHARIAH INDEXES

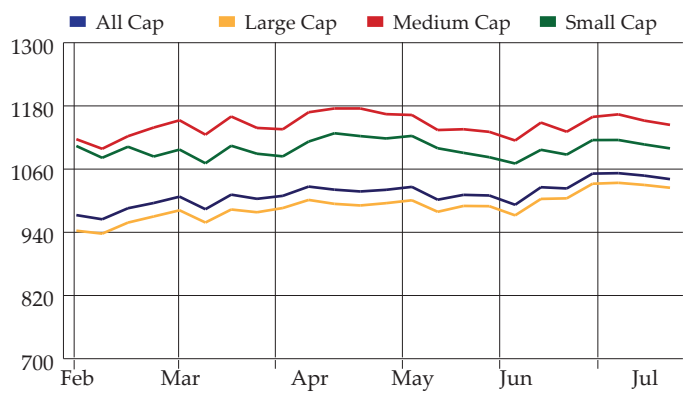
REDmoney Asia ex. Japan

6 Months



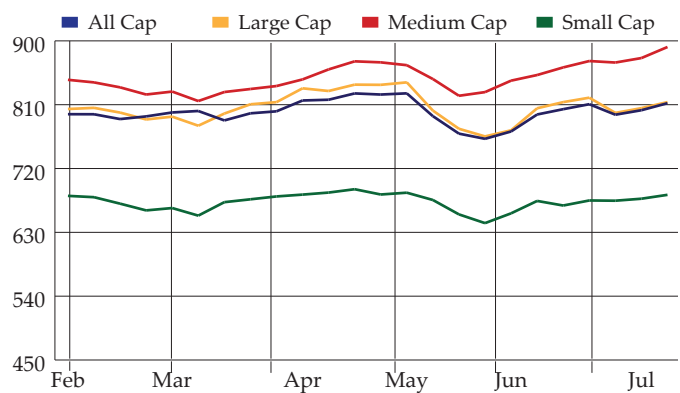
REDmoney Europe

6 Months



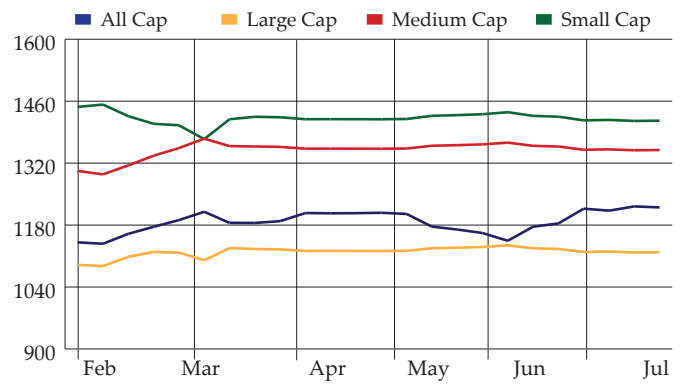
REDmoney GCC

6 Months



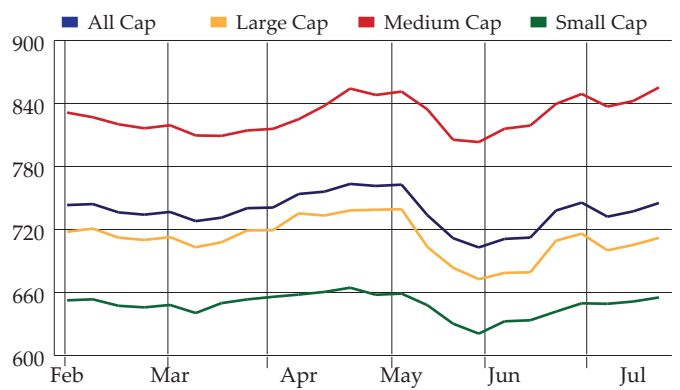
REDmoney Global

6 Months



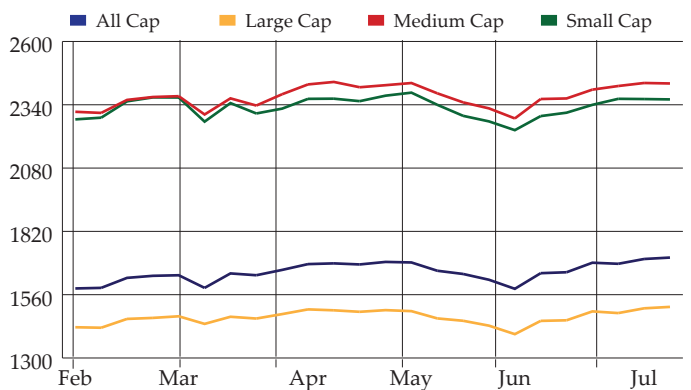
REDmoney MENA

6 Months



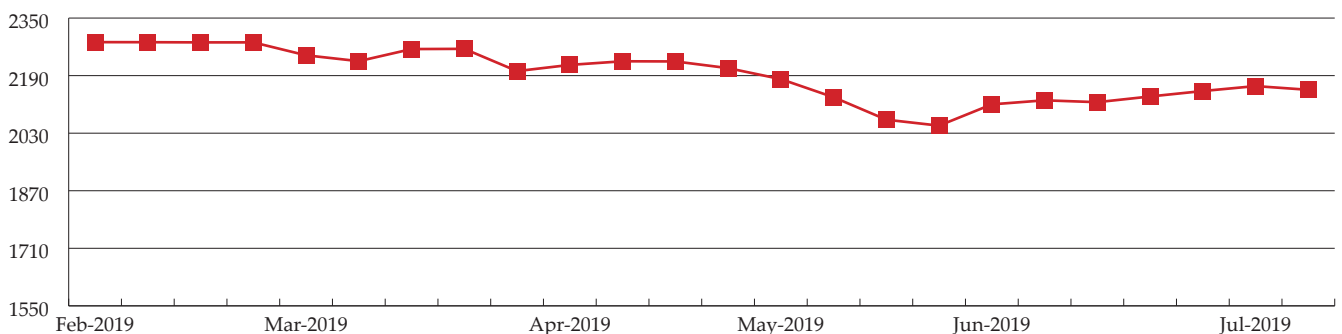
REDmoney US

6 Months



SAMI Halal Food Participation (All Cap)

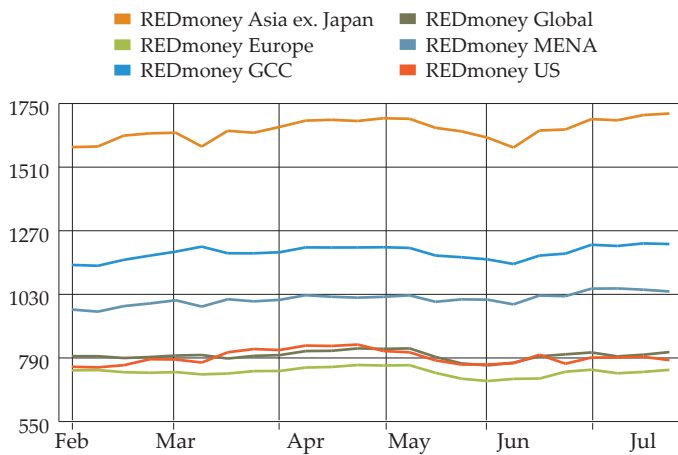
6 months



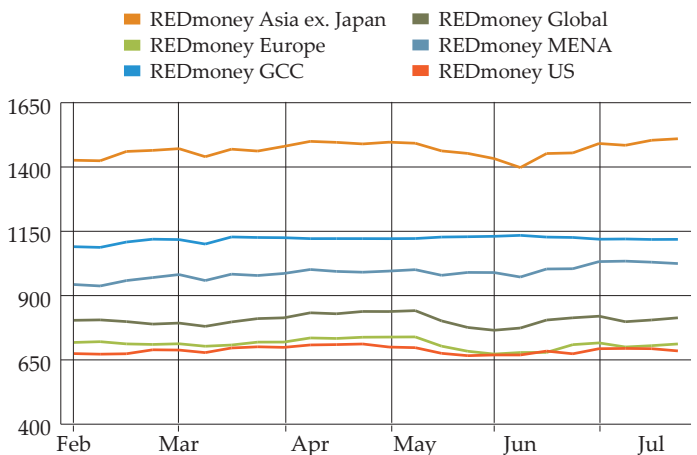


# REDMONEY SHARIAH INDEXES

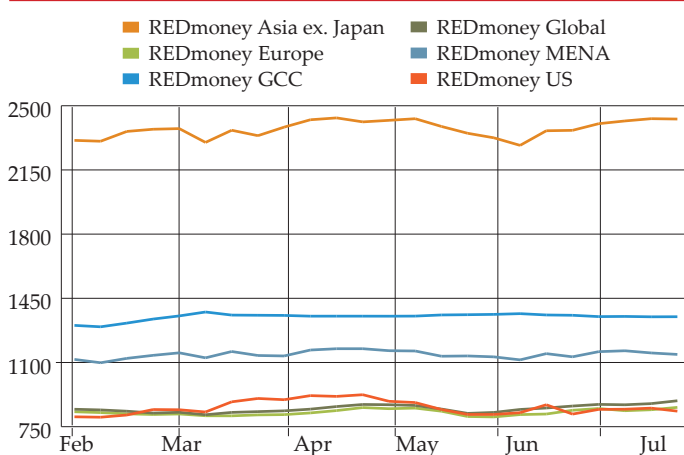
REDmoney Global Shariah Index Series (All Cap) 6 Months



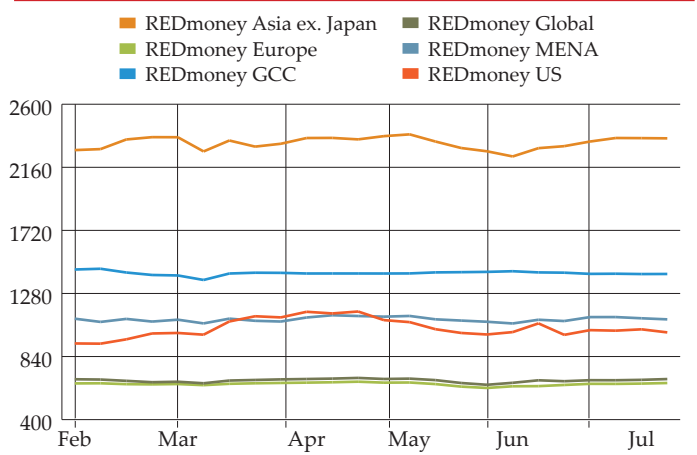
REDmoney Global Shariah Index Series (Large Cap) 6 Months



REDmoney Global Shariah Index Series (Medium Cap) 6 Months



REDmoney Global Shariah Index Series (Small Cap) 6 Months



## REDmoney Global Shariah

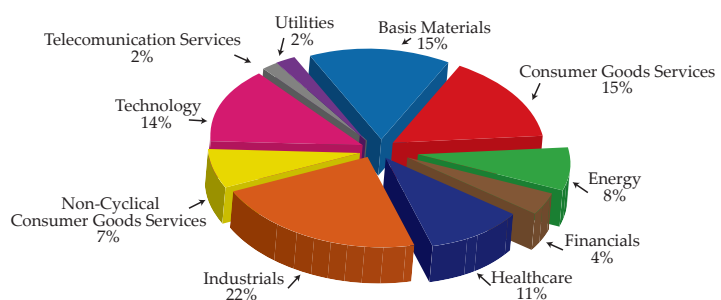
Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

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

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

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

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



## REDmoney Global Shariah Index Series

REDmoney Indexes

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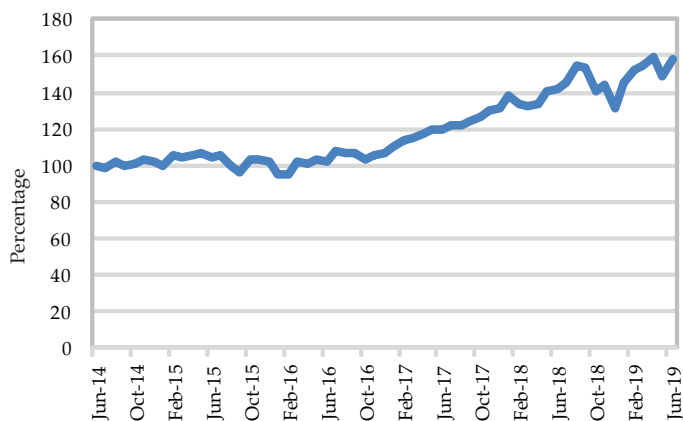
For further information regarding REDmoney Indexes contact:

Andrew Morgan  
Managing Director, REDmoney Group

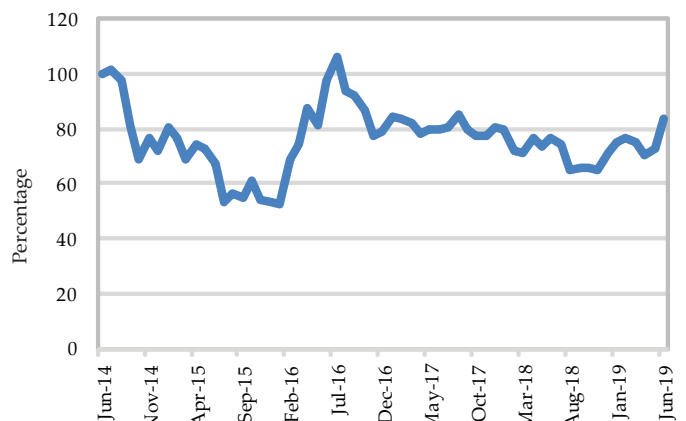
Email: [Andrew.Morgan@REDmoneygroup.com](mailto:Andrew.Morgan@REDmoneygroup.com)  
Tel +603 2162 7800

# EUREKAHEDGE FUNDS TABLES

**Eurekahedge North America Islamic Fund Index**



**Eurekahedge Islamic Fund Gold Index**



**Top 10 Monthly Returns for Asia Pacific Islamic Funds**

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	CIMB S&P Ethical Asia Pacific Dividend ETF	CIMB-Principal Asset Management (S)	6.20	Singapore
2	CIMB Islamic Asia Pacific Equity - MYR	CIMB-Principal Asset Management	5.80	Malaysia
3	CIMB Islamic DALI Asia Pacific Equity Growth	CIMB-Principal Asset Management	5.20	Malaysia
4	TRIM Syariah Berimbang	Trimegah Asset Management	4.65	Indonesia
5	WSF Asian Pacific - USD I	Cogent Asset Management	4.60	Guernsey
6	CIMB Principal Islamic Equity Growth Syariah	CIMB-Principal Asset Management	4.56	Indonesia
7	CIMB Islamic Small Cap	CIMB-Principal Asset Management	4.56	Malaysia
8	TRIM Syariah Saham	Trimegah Asset Management	4.20	Indonesia
9	CIMB Islamic DALI Equity	CIMB-Principal Asset Management	4.09	Malaysia
10	CIMB Islamic Equity Aggressive	CIMB-Principal Asset Management	3.74	Malaysia
<b>Eurekahedge Islamic Fund Index</b>			<b>1.02</b>	

Based on 31.11% of funds which have reported June 2019 returns as at the 22<sup>nd</sup> July 2019

**Top 10 Monthly Returns for Middle East/Africa Islamic Funds**

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AlAhli Saudi Small and Mid-Cap Equity	NCB Capital	4.98	Saudi Arabia
2	Saudi Companies	The Saudi Investment Bank	4.96	Saudi Arabia
3	Boubyan Multi Asset Holding	Boubyan Capital Investment	4.25	Kuwait
4	AlAhli Saudi Trading Equity	NCB Capital	3.99	Saudi Arabia
5	Al Baraka	Hermes Fund Management	3.25	Egypt
6	AlAhli GCC Trading Equity	NCB Capital	3.04	Saudi Arabia
7	NBAD Islamic MENA Growth	First Abu Dhabi Bank	2.99	UAE
8	AlAhli GCC Growth and Income	NCB Capital	2.98	Saudi Arabia
9	Old Mutual Albaraka Equity - Class A	Old Mutual Investment Group	2.22	South Africa
10	Emirates Global Sukuk Limited USD Institutional Share Class (Acc)	Emirates NBD Asset Management	1.66	Jersey
<b>Eurekahedge Islamic Fund Index</b>			<b>1.87</b>	

Based on 42.86% of funds which have reported June 2019 returns as at the 22<sup>nd</sup> July 2019

**Top Annualized Returns for Islamic Gold Funds**

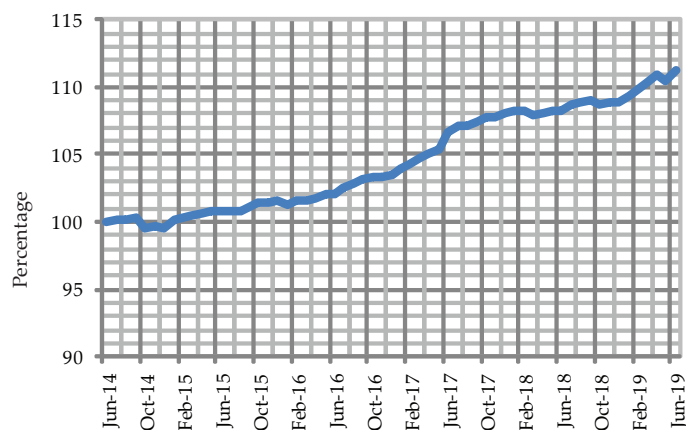
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	DSAM Kauthar Gold	Tocqueville Asset Management	-3.32	Cayman Islands
2	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	-4.36	Ireland
3	Precious Metals Securities	AmInvestment Management	-7.00	Malaysia
<b>Eurekahedge Islamic Fund Index</b>			<b>-3.48</b>	

Based on 100% of funds which have reported June 2019 returns as at the 22<sup>nd</sup> July 2019

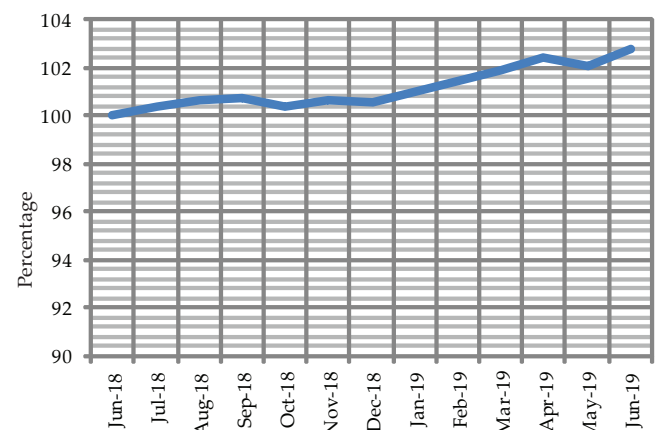
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

# EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Money Market Index over the last 5 years



Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 6 Islamic Money Market Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	TA Dana Optimix	TA Investment Management	2.39	Malaysia
2	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	2.29	Pakistan
3	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	2.26	Pakistan
4	TA Islamic CashPlus	TA Investment Management	0.90	Malaysia
5	CIMB Islamic Money Market	CIMB-Principal Asset Management	0.00	Malaysia
6	CIMB Islamic Deposit	CIMB-Principal Asset Management	-0.02	Malaysia
<b>Eurekahedge Islamic Fund Index</b>			<b>0.85</b>	

Based on 28.57% of funds which have reported June 2019 returns as at the 22<sup>nd</sup> July 2019

Top 10 Sortino Ratios for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AlAhli Diversified Saudi Riyal	NCB Capital	41.93	Saudi Arabia
2	AlAhli Diversified US Dollar	NCB Capital	28.87	Saudi Arabia
3	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	27.63	Pakistan
4	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	24.92	Pakistan
5	TA Islamic CashPlus	TA Investment Management	11.47	Malaysia
6	CIMB Islamic Money Market	CIMB-Principal Asset Management	6.61	Malaysia
7	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	3.95	Pakistan
8	Amana Participation Fund Institutional Shares	Saturna Capital	2.77	US
9	Emirates Global Sukuk Fund Limited USD Institutional Share Class (Acc)	Emirates NBD Asset Management	2.45	Jersey
10	Taurus Ethical B	Taurus Asset Management	2.39	India
<b>Eurekahedge Islamic Fund Index</b>			<b>0.17</b>	

Based on 39.5% of funds which have reported June 2019 returns as at the 22<sup>nd</sup> July 2019

## Contact Eurekahedge

To list your fund or update your fund information: [islamicfunds@eurekahedge.com](mailto:islamicfunds@eurekahedge.com)  
For further details on Eurekahedge: [information@eurekahedge.com](mailto:information@eurekahedge.com) Tel: +65 6212 0900

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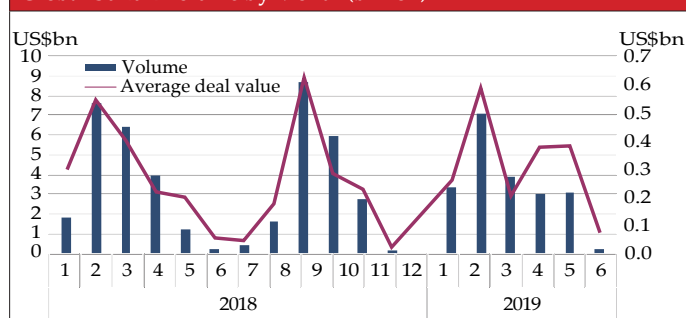


# DEALOGIC LEAGUE TABLES

## Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
11-Jul-19	Dubai World	UAE	Sukuk	Euro market public issue	1,000	Barclays, Citigroup, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Standard Chartered Bank
25-Jun-19	Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	500	Abu Dhabi Islamic Bank, Arab Banking, Citigroup, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Kuwait Finance House, Standard Chartered Bank
20-Jun-19	Permodalan Nasional	Malaysia	Sukuk	Domestic market public issue	107	Malaysian Industrial Development Finance, RHB Bank
29-May-19	Kuwait International Bank	Kuwait	Sukuk	Euro market public issue	300	Citigroup, Dubai Islamic Bank, First Abu Dhabi Bank, Kuwait Finance House, Kuwait Projects, Standard Chartered Bank
24-May-19	Pengurusan Aset Air	Malaysia	Sukuk	Domestic market public issue	262	AmInvestment, CIMB Group, RHB Bank
16-May-19	CIMB Group	Malaysia	Sukuk	Domestic market public issue	180	CIMB Group
9-May-19	RHB Bank	Malaysia	Sukuk	Domestic market public issue	120	RHB Bank
7-May-19	Majid Al Futtaim Capital	UAE	Sukuk	Euro market public issue	600	Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank, HSBC, Standard Chartered Bank
2-May-19	Saudi Telecom	Saudi Arabia	Sukuk	Euro market public issue	1,250	First Abu Dhabi Bank, HSBC, JPMorgan, Kuwait Finance House, Samba Capital, Standard Chartered Bank
2-May-19	Serba Dinamik Holdings	Malaysia	Sukuk	Euro market public issue	300	Credit Suisse, HSBC
24-Apr-19	Khazanah Nasional	Malaysia	Sukuk	Domestic market private placement	485	Maybank, RHB Bank
18-Apr-19	KLCC Property Holdings	Malaysia	Sukuk	Domestic market public issue	121	AmInvestment Bank, CIMB Group, Maybank
17-Apr-19	Islamic Development Bank	Saudi Arabia	Sukuk	Euro market public issue	1,500	Credit Agricole, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank, HSBC, JPMorgan Natixis, Standard Chartered Bank
3-Apr-19	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	734	AmInvestment Bank, CIMB Group, Maybank RHB Bank
26-Mar-19	Sharjah	UAE	Sukuk	Euro market public issue	1,000	Arab Banking Corporation, Dubai Islamic Bank, HSBC, KFH, Sharjah Islamic Bank, Standard Chartered Bank
21-Mar-19	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	935	AmInvestment Bank, CIMB Group, HSBC, Maybank, RHB Bank
19-Mar-19	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	Barclays, Barwa Bank, Credit Agricole, National Bank of Kuwait, QInvest, QNB Capital, Standard Chartered Bank
14-Mar-19	SME Bank	Malaysia	Sukuk	Domestic market public issue	147	AmInvestment Bank, Kuwait Finance House, Maybank
11-Mar-19	IJM Corporation	Malaysia	Sukuk	Domestic market public issue	159	CIMB Group
4-Mar-19	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	368	CIMB Group, Kenanga Investment Bank, Maybank, RHB Bank

## Global Sukuk Volume by Month (billion)



## Global Sukuk Volume by Quarter (billion)

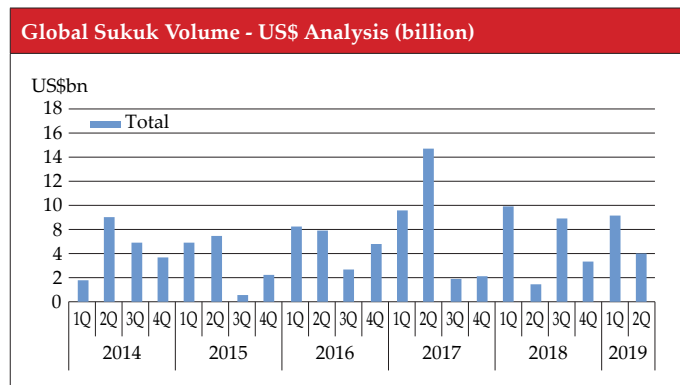
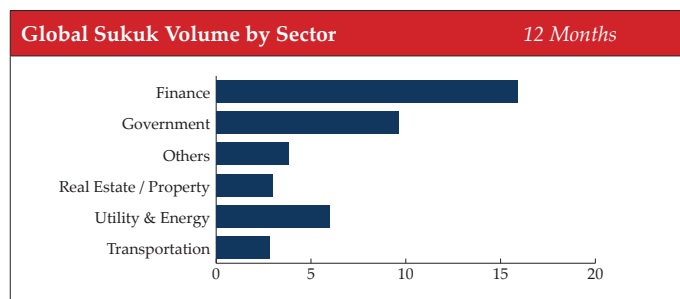
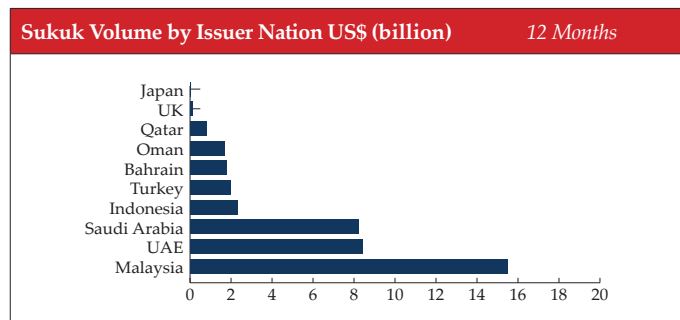
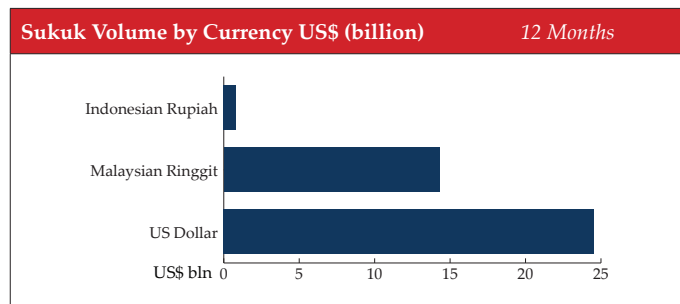


# DEALOGIC LEAGUE TABLES

Top 30 Issuers of Global Sukuk					12 Months
Issuer	Nationality	Market	US\$ (mln)	Tranches	Managers
Saudi Arabia	Saudi Arabia	Euro market public issue	2,000	1	BNP Paribas, Citigroup, HSBC, JPMorgan, Mizuho, Samba Capital
Saudi Electricity	Saudi Arabia	Euro market public issue	2,000	2	Citigroup, First Abu Dhabi Bank, HSBC, Mizuho, MUFG, Natixis, Standard Chartered Bank, Sumitomo Mitsui Financial Group
Turkey	Turkey	Euro market public issue	2,000	1	Citigroup, KFH, Standard Chartered Bank
Indonesia	Indonesia	Euro market public issue	2,000	2	Deutsche Bank, Dubai Islamic Bank, HSBC, Mandiri Sekuritas, Maybank
Oman	Oman	Euro market public issue	1,500	1	Gulf International Bank, HSBC, JPMorgan, Kuwait Finance House, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,500	1	Credit Agricole, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank, HSBC, JPMorgan, Natixis, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,300	1	CIMB Group, Citigroup, Dubai Islamic Bank, Gulf International Bank, HSBC, LBBW, Natixis, Standard Chartered Bank
Saudi Telecom	Saudi Arabia	Euro market public issue	1,250	1	First Abu Dhabi Bank, HSBC, JPMorgan, Kuwait Finance House, Samba Capital, Standard Chartered Bank
Dubai World	UAE	Euro market public issue	1,000	1	Barclays, Citigroup, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, JPMorgan, SG Corporate & Investment Banking, Standard Chartered Bank
Sharjah	UAE	Euro market public issue	1,000	1	Arab Banking Corporation, Dubai Islamic Bank, HSBC, Kuwait Finance House, Sharjah Islamic Bank, Standard Chartered Bank
Dubai World	UAE	Euro market public issue	1,000	1	Barclays, Citigroup, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Standard Chartered Bank
DanaInfra Nasional	Malaysia	Domestic market public issue	935	6	AmInvestment Bank, CIMB Group, HSBC, Maybank, RHB Bank
First Abu Dhabi Bank	UAE	Euro market public issue	850	1	Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, Kuwait Finance House, Saudi National Commercial Bank, Sharjah Islamic Bank, Standard Chartered Bank
DanaInfra Nasional	Malaysia	Domestic market public issue	772	5	Affin Hwang Capital, AmInvestment Bank, CIMB Group, Maybank, RHB Bank
Abu Dhabi Islamic Bank	UAE	Euro market public issue	750	1	Abu Dhabi Islamic Bank, Citigroup, Emirates NBD, First Abu Dhabi Bank, HSBC, JPMorgan, Sharjah Islamic Bank, Standard Chartered Bank
Tenaga Nasional	Malaysia	Euro market public issue	750	1	BNP Paribas, CIMB Group, Citigroup, HSBC
Dubai Islamic Bank	UAE	Euro market public issue	750	1	Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, JPMorgan, Kuwait Finance House, Sharjah Islamic Bank, Standard Chartered Bank
Qatar Islamic Bank	Qatar	Euro market public issue	750	1	Barclays, Barwa Bank, Credit Agricole, National Bank of Kuwait, QInvest, QNB Capital, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	739	1	Credit Agricole, LBBW, Natixis, Standard Chartered Bank
Perbadanan Tabung Pendidikan Tinggi Nasional	Malaysia	Domestic market public issue	736	3	Bank Islam Malaysia, Maybank
Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Domestic market public issue	734	6	AmInvestment Bank, CIMB Group, Maybank RHB Bank
Tenaga Nasional	Malaysia	Domestic market public issue	731	2	AmInvestment Bank, CIMB Group, Maybank
DanaInfra Nasional	Malaysia	Domestic market public issue	725	6	AmInvestment Bank, Bank Islam Malaysia, CIMB Group, Kenanga Investment Bank, Maybank, RHB Bank
Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Domestic market public issue	721	5	Affin Hwang Capital, AmInvestment Bank, Bank Islam Malaysia, CIMB Group, Maybank, OCBC, RHB Bank
Bahrain Mumtalakat Holding	Bahrain	Euro market public issue	600	1	BNP Paribas, Citigroup, HSBC, National Bank of Bahrain, Standard Chartered Bank
Majid Al Futtaim Capital	UAE	Euro market public issue	600	1	Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank, HSBC, Standard Chartered Bank
Abu Dhabi Commercial Bank	UAE	Euro market public issue	500	1	Abu Dhabi Commercial Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, JPMorgan, Nomura, Standard Chartered Bank
Aldar Properties	UAE	Euro market public issue	500	1	Abu Dhabi Islamic Bank, Barclays, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, JPMorgan, Standard Chartered Bank
National Central Cooling-Tabreed	UAE	Euro market public issue	500	1	JPMorgan
Qatar International Islamic Bank	Qatar	Euro market public issue	500	1	Al Khalij Commercial Bank, Barclays, Barwa Bank, Maybank, National Bank of Kuwait, QNB Capital, Standard Chartered Bank

# DEALOGIC LEAGUE TABLES

Top Global Islamic Bookrunners		12 Months		
	Bookrunner Parents	US\$ (mln)	Iss	%
1	Maybank	4,080	46	9.78
2	Standard Chartered Bank	3,688	29	8.84
3	CIMB Group	3,647	47	8.74
4	HSBC	3,577	25	8.58
5	RHB Bank	2,532	36	6.07
6	AmInvestment Bank	2,379	32	5.70
7	Citigroup	2,209	12	5.29
8	JPMorgan	2,052	11	4.92
9	First Abu Dhabi Bank	1,750	17	4.19
10	Kuwait Finance House	1,706	9	4.09
11	Dubai Islamic Bank	1,664	15	3.99
12	Emirates NBD	1,031	11	2.47
13	Gulf International Bank	836	5	2.00
14	Natixis	785	4	1.88
15	Affin Hwang Capital	762	12	1.83
16	BNP Paribas	641	3	1.54
17	Mizuho	583	2	1.40
18	Deutsche Bank	574	3	1.38
19	Samba Capital	542	2	1.30
20	Barclays	516	6	1.24
21	Bank Islam Malaysia	508	3	1.22
22	Kenanga Investment Bank	486	7	1.16
23	Credit Agricole	479	3	1.15
24	Sharjah Islamic Bank	475	4	1.14
25	Mandiri Sekuritas	450	10	1.08
26	Abu Dhabi Islamic Bank	392	6	0.94
27	Sinarmas Sekuritas	369	1	0.88
28	LBBW	347	2	0.83
29	Arab Banking Corporation	257	3	0.62
30	MUFG	250	1	0.60



Top Islamic Finance Related Project Financing Legal Advisors				
12 Months				
	Legal Advisor	US\$ (million)	No	%
1	Allen & Overy	3,018.58	3	27.48
2	Linklaters	2,243.00	2	20.42
3	Latham & Watkins	1,418.33	2	12.91
4	Al Busaidy Mansoor Jamal & Co	768.33	1	7.00
4	International Counsel Bureau	768.33	1	7.00
4	Loyens & Loeff	768.33	1	7.00
4	Salans FMC SNR Denton Group	768.33	1	7.00
8	Clifford Chance	650.00	1	5.92
9	Covington & Burling	198.25	1	1.81
10	White & Case	191.00	1	1.74
10	Zamakhchary & Co	191.00	1	1.74

Top Islamic Finance Related Project Finance Mandated Lead Arrangers				
12 Months				
	Mandated Lead Arranger	US\$ (million)	No	%
1	BNP Paribas	672.20	3	6.12
2	HSBC	627.21	3	5.71
3	Credit Agricole Corporate & Investment Bank	602.30	3	5.48
3	SG Corporate & Investment Banking	602.30	3	5.48
5	Standard Chartered Bank	538.92	3	4.91
6	Banco Santander	536.38	2	4.88
6	Credit Suisse	536.38	2	4.88
8	NATIXIS	536.38	2	4.88
9	Ahli United Bank	487.13	3	4.44
10	Kuwait Finance House	312.37	3	2.84



# DEALOGIC LEAGUE TABLES

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

	Mandated Lead Arranger	US\$ (mln)	No	%
1	First Abu Dhabi Bank	1,483	12	11
2	Emirates NBD	1,234	11	9
3	Mashreqbank	1,182	10	9
4	Abu Dhabi Commercial Bank	894	6	7
5	Standard Chartered Bank	794	6	6
6	HSBC	645	6	5
7	Dubai Islamic Bank	566	5	4
8	Commercial Bank of Dubai	493	4	4
9	Credit Agricole	373	3	3
9	MUFG	373	3	3
11	Samba Capital	371	2	3
12	Saudi National Commercial Bank	359	3	3
13	Noor Bank	317	4	2
14	Arab Banking Corporation	313	4	2
15	Kuwait Finance House	258	4	2
16	BNP Paribas	248	2	2
16	Intesa Sanpaolo	248	2	2
16	Natixis	248	2	2
16	SG Corporate & Investment Banking	248	2	2
20	Warba Bank	244	4	2
21	Citigroup	215	1	2
21	Export Development Canada	215	1	2
21	ING	215	1	2
24	Arab Petroleum Investments	166	2	1
25	Ahli United Bank	149	3	1
26	Riyad Bank	133	1	1
26	Saudi Fransi Capital	133	1	1
28	Mizuho	125	1	1
28	RAKBANK	125	1	1
30	National Bank of Kuwait	101	2	1

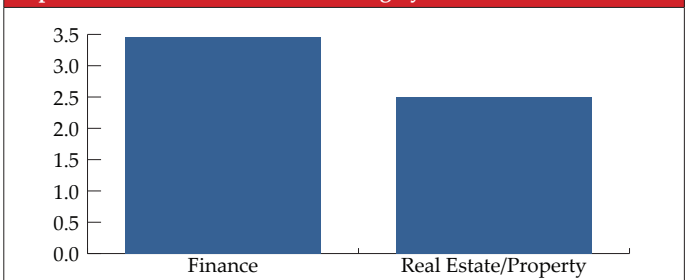
**Top Islamic Finance Related Financing Bookrunners** 12 Months

	Bookrunner	US\$ (mln)	No	%
1	Mashreqbank	1,363	6	17
2	First Abu Dhabi Bank	1,312	5	17
3	Emirates NBD	787	5	10
4	HSBC	470	3	6
5	Credit Agricole	340	2	4
5	MUFG	340	2	4
5	Standard Chartered Bank	340	2	4
8	Dubai Islamic Bank	335	2	4
9	Warba Bank	250	1	3
10	Noor Bank	233	2	3

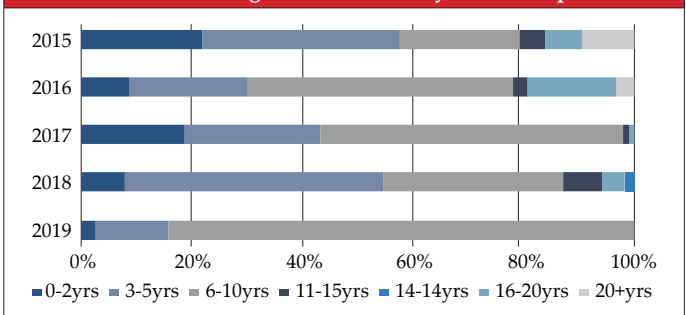
**Top Islamic Finance Related Financing Deal List** 12 Months

Credit Date	Borrower	Nationality	US\$ (mln)
28-Jan-19	Emirates Global Aluminium	UAE	6,545
1-Nov-18	Duqm Refinery & Petrochemical Industries	Oman	4,610
20-Dec-18	BAPCO	Bahrain	4,104
26-Nov-18	Al Dur Power & Water	Bahrain	1,634
11-Sep-18	Emaar Properties	UAE	1,500
24-Dec-18	Atlantis The Palm	UAE	1,100
18-Dec-18	Deira Mall	UAE	844
20-Dec-18	Egyptian General Petroleum	Egypt	750
18-Dec-18	Kuwait Food (Americana)	Kuwait	627
26-Feb-19	Allana International	UAE	600

**Top Islamic Finance Related Financing by Sector** 12 Months



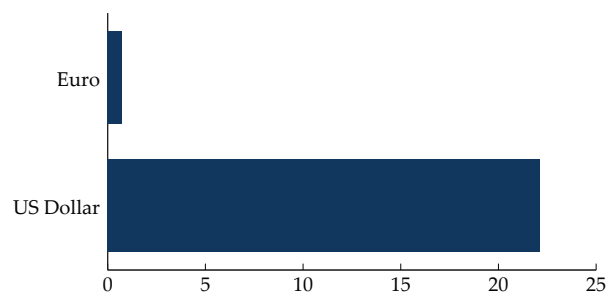
**Global Islamic Financing - Years to Maturity (YTD Comparison)**



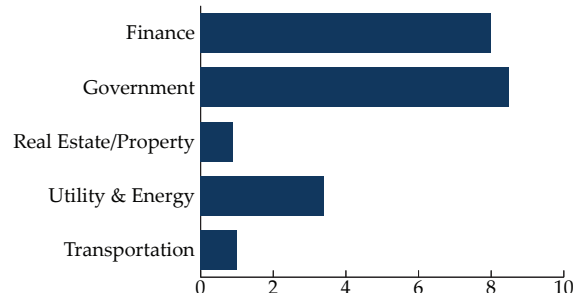
# DEALOGIC LEAGUE TABLES

Top Global International Sukuk Managers		12 Months		
Bookrunner		US\$ (mln)	No	%
1	Standard Chartered Bank	3,554	25	13.25
2	HSBC	3,288	21	12.26
3	Citigroup	2,209	12	8.23
4	JPMorgan	2,052	11	7.65
5	First Abu Dhabi Bank	1,750	17	6.52
6	Dubai Islamic Bank	1,664	15	6.20
7	Kuwait Finance House	1,657	8	6.18
8	Emirates NBD	1,031	11	3.85
9	Gulf International Bank	836	5	3.12
10	Natixis	785	4	2.93
11	BNP Paribas	641	3	2.39
12	Mizuho	583	2	2.17
13	Deutsche Bank	574	3	2.14
14	Samba Capital	542	2	2.02
15	Barclays	516	6	1.92
16	Credit Agricole	479	3	1.79
17	Sharjah Islamic Bank	475	4	1.77
18	Maybank	471	2	1.76
19	Mandiri Sekuritas	400	1	1.49
20	Abu Dhabi Islamic Bank	392	6	1.46
21	CIMB Group	350	2	1.30
22	LBBW	347	2	1.29
23	Arab Banking Corporation	257	3	0.96
24	MUFG	250	1	0.93
24	Sumitomo Mitsui Financial Group	250	1	0.93
26	Barwa Bank	179	2	0.67
26	National Bank of Kuwait	179	2	0.67
26	QNB Capital	179	2	0.67
29	Credit Suisse	150	1	0.56
30	Saudi National Commercial Bank	121	1	0.45

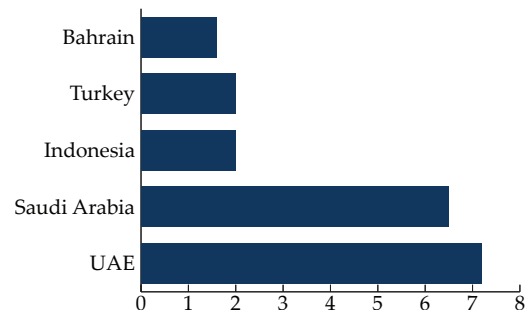
International Sukuk Volume by Currency US\$ (billion)  
12 Months



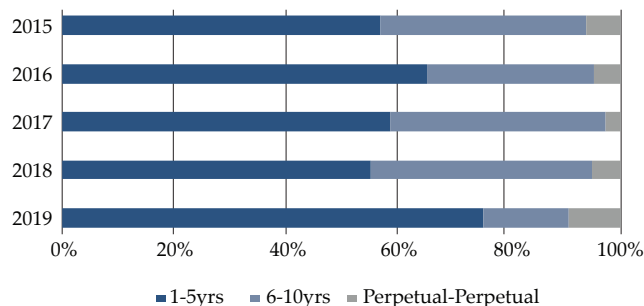
International Sukuk Volume by Sector US\$ (billion)  
12 Months



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



International Sukuk Years to Maturity



## Are your deals listed here?

If you feel that the information within these tables is inaccurate, you may contact the following directly:

Mimi Lee (Media Relations)  
Email: [mimi.lee@dealogic.com](mailto:mimi.lee@dealogic.com)

Tel: +852 3698 4715

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28<sup>th</sup> **IFN Fintech Pitch Day** Dubai

## AUGUST 2019

27<sup>th</sup> **IFN Indonesia Forum** Jakarta

29<sup>th</sup> **IFN Singapore Forum** Singapore

## SEPTEMBER 2019

3<sup>rd</sup> **Private Investors Forum** London

4<sup>th</sup> **UK Islamic Finance Week 2019** London

9<sup>th</sup> **IFN Turkey Forum** Istanbul

## OCTOBER 2019

16<sup>th</sup> **IFN Japan Forum** Tokyo

21<sup>st</sup> **IFN US Forum** Washington DC

21<sup>st</sup> **IFN Sovereign Sukuk Dialogue** Washington DC

## NOVEMBER 2019

12<sup>th</sup> **IFN Kuwait Forum** Kuwait City

13<sup>th</sup> **Private Investors Forum** Kuwait City

14<sup>th</sup> **IFN Jordan Forum** Amman

## DECEMBER 2019

1<sup>st</sup> **Global Islamic Fintech Huddle** Manama

3<sup>rd</sup> **IFN Green & Sustainable Finance Forum** Kuala Lumpur

## MARCH 2020

8<sup>th</sup> **IFN World Leaders Summit** Dubai

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**Chitra Kunchiraman**  
Subscriptions Development Manager / Head - Legal (Global)  
Tel: +603 2162 7800 (ext 59)  
Email: Chitra.kunchiraman@redmoneygroup.com

**Karthik Thivan**  
Subscriptions Manager  
Tel: +603 2162 7800 (ext 24)  
Email: Karthik.thivan@redmoneygroup.com

**Dharani Eswaran**  
Subscriptions Manager  
Tel: +603 2162 7800 (ext 14)  
Email: dharani.eswaran@redmoneygroup.com

## Islamic Finance news

**Managing Editor** Vineeta Tan  
vineeta.tan@REDmoneygroup.com

**Contributing Editor** Lauren McAughtry  
lauren.mcaughtry@REDmoneygroup.com

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

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

**News Editor** Nessreen Tamano  
Nessreen.Tamano@redmoneygroup.com

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

**Journalist** Durgahyeni Mohana Selvam  
durgahyeni.selvam@redmoneygroup.com

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

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

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

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

**Managing Director** Andrew Tebbutt  
andrew.tebbutt@REDmoneygroup.com

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

Published By: REDmoney

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

**UAE**  
PO Box 126732, 3<sup>rd</sup> Floor,  
X2 Tower, Jumeirah Lake  
Tower (JLT), Jumeirah Bay,  
Dubai, UAE

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