

BUSINESS AND POLITICS IN THE MUSLIM WORLD

Weekly Report on Global Islamic Finance and Business in the Muslim World

Period: December 05 – December 11

Report # 149

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Summary:

The CISI is launching a new Islamic finance professional interest forum (PIF) in conjunction with the Institute of Islamic Banking and Insurance (IIBI), From 2011, members of the Islamic finance forum will meet quarterly in London to network over lunch, listen to presentations and discuss issues affecting them in a confidential setting.

Islamic Bank of Britain today announced it has joined forces with Præmium Limited to launch the UK's only Sharia compliant retail Discretionary Portfolio Service, Based on Præmium's DPS Select service, IBB will ensure the Sharia compliance of the discretionary investment services to investors based both in the UK and overseas, Discretionary Portfolio Services offer investors the chance to set up and interact with their investments through their Independent Financial Advisors (IFAs). IFAs can register for free to use the service and promote a wider range of investment options for their clients.

Qatar's leading Investment Bank, in collaboration with India's premier financial services partner, Ambit, announced the launch of the Ambit QInvest India Fund, an open ended Shariah-compliant Indian Equities Fund, The fund is the region's first and India's largest Shariah-compliant equity fund with an investment strategy that will combine dynamic equity allocation to generate returns.

1. GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE

CISI launches Islamic finance professional interest forum

Sunday, December 05, 2010

The CISI is launching a new Islamic finance professional interest forum (PIF) in conjunction with the Institute of Islamic Banking and Insurance (IIBI).

From 2011, members of the Islamic finance forum will meet quarterly in London to network over lunch, listen to presentations and discuss issues affecting them in a confidential setting.

Events will be free for all members of the CISI (although students may only attend one Islamic finance forum each year) and IIBI members.

Mohammad Ali Qayyum, Director General of the IIBI, said, "We are pleased to be part of this PIF which will offer a unique platform for members of the CISI and IIBI to exchange views on issues vital for the continued development and growth of the Islamic financial services industry."

Ruth Martin, Managing Director of the CISI said, "We are delighted to be launching our Islamic finance PIF and we look forward to future lively debates on the foremost issues on the industry's agenda."

Also, the CISI's Islamic Finance Qualification (IFQ) and its IFQ workbook Edition 4 are now fully Shari'ah-compliant. The IFQ has been developed in conjunction with Ecole Supérieure des Affaires in Beirut, one of the leading business schools in the Middle East. It is a ground breaking qualification which covers Islamic finance from both a technical and Shari'ah perspective, providing the first international benchmark in the area of Islamic finance.

<http://cpifinancial.net/v2/News.aspx?v=1&aid=6632&sec=Islamic%20Finance>

Islamic IFA Calls for Overhaul of UK Banks

Monday, December 06, 2010

Tarek El Diwany, adviser for London-based Zest Advisory LLP, said getting Islamic finance to become more mainstream needs a significant change to take place in the industry.

He said: "It requires a paradigm shift. We have a conventional system that is firmly routed in usury."

"It cannot be changed overnight as there are too many people making too much money. The industry really has not tried to break this mould and offer something genuinely different, partly because of regulatory limitations and partly because of existing vested interests."

Mr El Diwany was speaking in response to points raised at the World Islamic Banking Conference in Bahrain.

During the three-day event at the Gulf Hotel in Manama, delegates heard of the challenges facing the proliferation of Islamic finance products.

Shebab Marzban, product development officer for Egypt-based Ideal Ratings, instigated the discussion when he warned that many Western fund managers fail to carry out correct due diligence on Islamic finance products.

He said: "There is a lack of awareness on what is truly a Sharia-complaint product. Many funds have got a stamp on them that they comply with the principles from a Sharia body, but then they do not follow through with the correct screening.

"The problem is that most fund managers will outsource due diligence to index providers and they rely on that information to be correct and up to date. The problem comes when you look on a firm's financial sheets and it may say they invest in food, but will not necessarily say pork."

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1250

AAOIFI standards 'Vital for Islamic Finance'

Monday, December 06, 2010

The standards set up by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) has become the core of the re-engineering process of Islamic finance.

They provide the basis for innovation within the framework of Islamic teachings, Housing Minister and AAOIFI chairman Shaikh Ibrahim bin Khalifa Al Khalifa told delegates at a conference yesterday.

"Ultimately this will hopefully enhance users' confidence in Islamic practices and encourage growth of demand," he said.

"The confidence in the AAOIFI stands behind its worldwide application." "The standards are now being followed, either as part of a regulatory requirement or as internal guidelines, by all leading Islamic financial institutions across the world including the Middle East, Asia Pacific, South Asia, Central Asia, Europe and Africa," he said.

"In order to facilitate the adoption and technical application of the standards, AAOIFI has, over the past few years, made significant progress on the implementation of the certified Sharia adviser and auditor development programmes," he added.

He said AAOIFI had now 86 standards in total in the areas of accounting, auditing, ethics, governance and Sharia. In the past year alone, AAOIFI successfully issued a number of new standards and revised another good number of existing ones.

A total of 400 delegates from more than 30 countries took part in the conference at the Crowne Plaza yesterday.

"This is an event where scholars and practitioners can hold very democratic discussions and express ideas," said AAOIFI secretary-general Dr Mohamad Nedal Alchaar.

"It allows people to criticise each other's ideas. There are different schools of thought in a number of areas. Through standardisation we can see more harmonisation. That is essential.

"The principle is simple. We are one religion and we want one set of standards," he said.

"This is an expanding industry and we all have to work together on standardisation to move forward," he said. "In the current climate Islamic finance sets standards that are now seen as a positive choice not just for Muslims but also for non-Muslims because we have shown that our financial system is viable in turbulent times," he said.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1252

Koperasi Al Taqwa Offers Syariah-compliant Car Financing To Diversify Business *Monday, December 06, 2010*

LANGKAWI, Koperasi Al Taqwa Kampung Kisap Langkawi Bhd will introduce syariah-compliant car financing facilities next year in efforts to diversify its business and generate income.

Its secretary, Mohd Nazri Hashim, said Bank Angkatan Koperasi Kebangsaan Malaysia Bhd would offer the cooperative a loan which would be used as capital to offer car financing.

"The residents in Langkawi will get an opportunity to apply for the syariah-compliant car financing when applications are opened," he told Bernama here Monday.

Meanwhile, he said, the cooperative would invest in the hotel industry to meet the needs of tourists and to increase its sources of income.

"A hotel, named Al Taqwa Islamic Hotel, has been in operation since last November in Kuah.

"The hotel, based on tour-and-study concept, aims to attract more tourists to the island," he said.

He said the hotel has 20 rooms and the rates were between RM80 and RM120.

"The room is air-conditioned and has a refrigerator and television set.

"In addition, the hotel has a hall which can accommodate over 100 people," he said.

Mohd Nazri said the cooperative rented a building at a cost of RM 6, 000 a month for use as the hotel.

"The hotel operation is expected to increase the earning of the cooperative and in the long run benefit the members," he said.

He said the cooperative also acted as agents for telecommunications and insurance companies.

"It also offers express postal services, insurance, road tax and others," he said.

Mohd Nazri said Koperasi Al Taqwa was set up in July 2009 under Masjid Al Taqwa Kampung Kisap.

"The cooperative, among the most active mosque cooperatives in Kedah, currently has 100 members," he said.

He said an aggressive campaign to increase its membership to 5,000 within two years would be launched.

Koperasi Al Taqwa is among 30 cooperatives in Langkawi.

<http://bernama.com.my/bernama/v5/newsbusiness.php?id=548076>

Islamic Finance on the Rise Transforming the Financial World

Tuesday, December 07, 2010

Islamic business and finance is experiencing strong growth, particularly throughout the emerging market economies of Asia and the GCC, with increasing institutional and infrastructural support.

Recognizing the economic advantages and benefits reaped throughout Asia and the GCC, the industry is becoming a vital and competitive alternative to conventional finance systems throughout the world.

To highlight the phenomenal performance and development of the Islamic finance industry, CPI Financial, publisher of Islamic Business & Finance magazine, will be hosting the fifth annual Islamic Business and Finance Awards in Dubai on 21st December. These Awards are recognized around the world as one of the most distinguished Awards Programmes within the financial industry.

“Since their inception, the Islamic Business and Finance Awards have been setting the benchmark for successful Islamic financial institutions and experts from around the world and the region,” says Dominic De Sousa, Chairman of CPI Financial.

A total of 30 accolades will be presented at the Islamic Business and Finance Awards. Shortlists for the various Shari'ah-compliant banks and financial institutions are being compiled by an international panel of judges comprised of leading experts and consultants in the industry.

The individual awards presented for 'Outstanding Contribution to the Industry', 'Islamic Banker of the Year' and 'Lifetime Achievement', are 'write-in' awards that require the voters to nominate the individual most deserving of the accolade.

"At a global level, the significance and rising attraction of Islamic finance is transforming today's financial world. The industry has proved to be a stable and promising finance sector, growing by 15%-20% over the past decade," says Robin Amlôt, Managing Editor of CPI Financial.

Many are seeing that Shari'ah-compliant financial systems encompass a comprehensive screening process, greater transparency and a need to understand the nature of the investment rather than just focusing on returns. In turn, this ensures built-in checks and balances that create a more stable financial institution.

"Islamic assets are now worth around US\$1 trillion and with a global Muslim population of nearly two billion people we are seeing a clear shift in preferences towards Islamic finance. Up to 50 per cent of all Muslim savings are likely to be held by Islamic banks by 2020," Amlôt adds.

In response to the extraordinary growth rate of Islamic financial institutions, the Islamic Business and Finance Awards continue to draw industry attention and an ever-increasing audience.

Being held on 21st December at the Emirates Towers Hotel in Dubai, the Awards ceremony will honour the exceptional performance of various global and regional organisations as well as distinguished individuals within the Islamic finance industry.

Islamic Business & Finance magazine is the authoritative voice of the global Islamic finance industry, with a worldwide circulation and a readership that spans every continent. CPI Financial was established in Dubai in 1999 to meet the needs of an ever expanding, increasingly sophisticated financial community, offering a comprehensive portfolio of market-leading products and services tailor-made for the banking and financial sector.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1253

UK's first Sharia compliant retail discretionary portfolio service launched

Wednesday, December 08, 2010

Islamic Bank of Britain today announced it has joined forces with Præmium Limited to launch the UK's only Sharia compliant retail Discretionary Portfolio Service.

Based on Præmium's DPS Select service, IBB will ensure the Sharia compliance of the discretionary investment services to investors based both in the UK and overseas.

The news comes follows IBB's announcement of a £20million capital injection from founding shareholder, Qatar International Islamic Bank (QIIB, www.qiib.com.qa). The DPS is an extension of the Wealth Advisory service recently launched by the Bank.

Discretionary Portfolio Services offer investors the chance to set up and interact with their investments through their Independent Financial Advisors (IFAs). IFAs can register for free to use the service and promote a wider range of investment options for their clients.

The IBB accredited DPS provided by Praemium offers a range of different investment strategies, depending on the investment needs and objectives of the client, as well as Sharia approved ISA and SIPP products.

The DPS will appeal to the full spectrum of investors seeking Sharia compliant investment options including:

- Individuals looking for long and short term investment strategies.
- High Net Worth clientele who would typically use a discretionary asset manager or investment adviser to manage their portfolio.
- Group pensions and employers seeking a solution for Islamic employees.
- Overseas investors, with accounts offered in Sterling, Dollars and Euros

Investors wishing to access the DPS service will be able to do so through Islamic Bank of Britain's Wealth Advisory service partner City financial planning firm, Radcliffe & Newlands. Other IFAs can also access the IBB accredited DPS independently of the Bank, by signing up to the service. This enables investors across the UK to benefit from Sharia compliant investment options for the first time through their local IFA.

IBB will screen the selection of the investment models to ensure they are 100% Sharia compliant and meet with the approval of the stringent conditions set by its Sharia Supervisory Committee, which consists of leading Sharia scholars.

Commenting on the launch, Sultan Choudhury, IBB commercial director, said:

“IBB already offers the largest range of Sharia compliant products and services to UK retail customers. The Bank is now widening its product range and services on offer. Not only does this new service expand the boundaries of British Islamic finance, it also removes the constraints previously faced by British Muslims for their wealth management and retirement needs.

"The DPS service will offer peace of mind for customers, both financially and spiritually."

John Martin, Managing Director of Præmium said:

“By using our service, both IBB customers and non IBB customers can access investments managed in keeping with Islamic traditions and this is an exciting new area we are pleased to be a part of.”

<http://www.myintroducer.com/view.asp?ID=5777>

Explore Opportunities with China in Islamic Finance for JVs in Capital Market, Malaysian Investors Told

Thursday, December 09, 2010

KUALA LUMPUR, Islamic finance could possibly be the first area to kick-start a joint venture between Malaysian and Chinese capital market intermediaries, says Deputy Finance Minister Datuk Ir Donald Lim Siang Chai.

He said Islamic finance was Malaysia's key strength and represented a very attractive market segment for the local intermediaries to bring to China.

"In this regard, I strongly urge Malaysian intermediaries to explore any joint-venture opportunity with Chinese intermediaries," he said in his keynote address at the conclusion of the 15th Malaysian Capital Market Summit here Thursday.

In his address, entitled "Attracting Chinese Portfolio Investment and Funds to Malaysia", Lim stressed that such joint ventures could create greater capital market flows between both countries.

He said the leading market intermediaries in the segment would be able to play a large role in growing Islamic finance in China.

"This can be done by sharing the experience, knowledge and expertise with relevant Chinese players to build their investment appetite for the asset class," he said.

In September last year, China awarded the first Islamic Banking licence to Bank of Ningxia, marking its venture into Islamic market products to provide a new asset class to its investors.

Meanwhile, bilateral trade between Malaysia and China in the last decade has grown rapidly, registering an average growth rate of 25 per cent annually.

Lim said the improving economic conditions after the global financial crisis and the China-ASEAN Free Trade Agreement, Malaysia has overtaken Singapore as China's number one trading partner in South East Asia.

China has also become Malaysia's largest trading partner.

The 15th Malaysian Capital Summit is an annual event organised by the Asian Strategy and Leadership Institute.

The event was supported by the Securities Commission of Malaysia, Bursa Malaysia and other government and non-government associations.

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=548862>

Bahrain launches Islamic finance platform

Thursday, December 09, 2010

UK investors will be better able to manage shariah-compliant assets following the launch of the Middle East's first exchange-operated platform dedicated to Islamic finance, an expert said.

Ibrahim Thompson, Islamic finance adviser for London-based Radcliffe & Newlands, described the e-Tayseer platform as "a milestone for Islamic trading in the region".

Mr Thompson said platform, launched by Bahrain Financial Exchange, will facilitate transactions in Islamic credit, Murabaha.

He added that the service was ideal for UK investors with assets in the Gulf region.

He said: "I think it is a great advance of shariah-compliant products for UK investors. Having a single platform is very handy for advisers because it provides greater clarity, especially because in the past investors have been paying different prices for the same product. Part of the problem historically is that things were created by non-Muslims to sell to Muslims.

The fully automated platform is for transactions in supply, purchase and sale of assets and can be used by British investors through an adviser that has been approved by the BFX.

"This platform is a development of Muslims coming up with products for Muslims and, like anything else that you do yourself, you are likely to be more considerate of the

intentions behind it, rather than just simply ticking boxes to comply with the rules. Understanding a member of your family is usually much easier than understanding a stranger."

A spokesman for the BFX said eTayseer is part of Bait Al Bursa - House of Exchanges - a division for Islamic financial solutions.

He said: "It is essentially an asset-to-cash exchange designed for shariah-compliant investors to manage their liquidity. The issue is always realising assets quickly and efficiently, and the Murabaha platform allows this to happen since all elements of the transfer or ownership and release of capital is carefully recorded."

<http://www.ftadviser.com/FinancialAdviser/Investments/News/article/20101209/dfd40728-fbc9-11df-a910-00144f2af8e8/Bahrain-launches-Islamic-finance-platform.jsp>

2. ISLAMIC BANKING & INSTITUTIONS

Ethica Institute and La Trobe University launch Australia's first Islamic finance e-learning program

Monday, December 06, 2010

Ethica, the Islamic finance training and certification institute, announced the launch of a new Islamic finance for-credit course at one of Australia's leading universities. This will be the first time ever that a 100% online course in Islamic finance is offered as part of an on-campus course. Enrolment for the award-winning Islamic Finance Professional Development (IFPD) course is now open and online classes begin next month on January 15, 2011.

The international education industry is Australia's largest services export, contributing over 550,000 students and \$12bn annually to the country's economy. Moreover, the Australian government actively began promoting Islamic finance in recent years by exploring tax neutrality for Shariah-compliant products.

La Trobe University's Associate Professor Ishaq Bhatti said, "With Ethica, our Islamic finance program now extends far beyond our physical campuses. For the first time ever, we now tap into the tremendous demand for Islamic finance from students all over the world."

This year, La Trobe's Islamic finance program won numerous awards including the prestigious Australian Learning and Teaching Council (ALTC) Award for excellence.

Ethica's Managing Director, Atif Khan said, "E-learning is the best way to address

Australia's growing demand for certified Islamic finance graduates. La Trobe is already a pioneer in the field with one of the world's only Master's programs in Islamic banking and finance, and now with an e-learning component, they scalably grow their campus across the globe."

Earlier this year Mashreq Bank rolled out Ethica's e-learning program across its entire Islamic banking network. Dow Jones affiliate Zawya.com and New York based Banker's Academy also signed on with Ethica recently.

<http://www.ameinfo.com/250708.html>

HSBC offers Shariah-compliant corporate banking in new countries

Monday, December 06, 2010

Companies in Bahrain and Bangladesh now have the option to use either conventional or Shariah-compliant banking products and services from HSBC. The bank, through its award-winning Islamic banking division, HSBC Amanah, has launched a range of products and services to meet the banking needs of corporates in these countries. This is an expansion of HSBC Amanah's corporate banking presence in Saudi Arabia, the United Arab Emirates, Qatar, Malaysia and Indonesia.

Starting this December, these HSBC Amanah corporate banking products are available in Bahrain:

- Business Accounts: Funds deposited are used only in a Shariah-compliant manner and customers get related facilities such as cheque books, debit cards and internet banking.
- Investment Solutions: Meets investors' short-term investment needs in a Shariah compliant manner.
- Working Capital Finance Solutions: Short-to-medium term financing solutions for working capital and liquidity needs based on goods or commodity Murabaha concepts.
- Trade Finance Solutions: Meet the importer's trade and finance requirements based on Murabaha1.

Patrick Gallagher, CEO of HSBC Bahrain said, "Since 1945, HSBC has been offering conventional banking services in Bahrain. Given that the country is one of the key Islamic financial centres in the world and demand is strong for Shariah-compliant banking here, we started offering HSBC Amanah retail banking in 2008. Now, our corporate customers can also enjoy HSBC's global connectivity and its best-in-class Shariah-compliant offering."

HSBC Amanah is also opening a branch dedicated to Shariah-compliant banking in Bangladesh this December. Besides conventional corporate banking products, companies will have the option to use a wide range of Shariah-compliant products such as current account, short notice deposit, term Investment, term finance, short-term finance, payments and cash management, corporate Internet Banking, foreign exchange services, import services, and guarantee solutions. In Bangladesh, HSBC Amanah is the first international bank to provide a wide range of Shariah-compliant products to both retail

and corporate customers.

Besides Bahrain and Bangladesh, HSBC has also launched Shariah-compliant export financing products in the UAE, which complete its range of Islamic trade products for corporate customers. With these products, exporters in the UAE can now use Shariah-compliant financing to produce and ship their goods to customers.

Nicholas Levitt, Head of Commercial Banking, HSBC UAE said, "We continue to receive excellent feedback from customers on HSBC Amanah's offerings. The new export finance product gives business owners an option to choose Shariah-compliant solutions for their importing and exporting needs. The product completes an already attractive product suite."

Indeed, a HSBC study found that companies in the Middle East do have a propensity for Islamic finance. About 62% of companies in Saudi Arabia said they need Islamic banking while in the UAE, this figure stands at 24%, Qatar 19% and in Egypt, 13%.

Yakub Bobat, global head of HSBC Amanah commercial banking said, "Speaking to customers, we understand that having access to Shariah-compliant products is crucial to the expansion and development of the business. People clearly want their businesses to grow, and if we can provide Shariah-compliant products that meet their needs, that will satisfy a large part of the market in the region."

The launches in Bahrain and UAE took place at an event where HSBC commercial banking customers got to meet one of the most revered scholars in the Islamic finance industry and a member of HSBC Amanah's Shariah Committee, Sheikh Nizam Yaquby. HSBC Amanah regularly organises these events so customers can directly clarify any questions on Islamic finance with such world renowned Islamic scholars. At the event in UAE in November.

Sheikh Nizam said that HSBC Amanah's Shariah team and management have been implementing its Shariah board's guidelines since he started advising the bank in 1998.

<http://www.ameinfo.com/250635.html>

Shariah Compliant Banks Get Profit Boost

Tuesday, December 07, 2010

Islamic banks will be offered a range of new money-market instruments in coming months, allowing lenders to earn larger returns from excess cash stored at central banks or locked into longer-dated securities.

The International Islamic Liquidity Management Corp., which is being set up in Kuala Lumpur by 11 central banks, will sell its first short-term bills in dollars early next year,

Malaysian central bank Governor Zeti Akhtar Aziz said Oct. 28. Prime Rate Capital Management LLP plans to start a \$250 million Islamic cash fund in January, Chief Executive Officer Christopher Oulton said in a Nov. 23 interview. The U.A.E.'s central bank auctioned its first Shariah-compliant certificates of deposits on Nov. 10.

Demand for services complying with Shariah law is increasing about 15 percent annually and assets under management may almost triple to \$2.8 trillion by 2015, according to the Kuala Lumpur-based Islamic Financial Services Board, a standards body for the industry. Money-market products will allow banks to invest idle cash more profitably, Paris-based Anouar Hassoune, an analyst at Moody's Investors Service, said in an e-mailed response to questions on Dec. 1.

"Liquidity is basically managed by accumulating central bank and interbank placements, as well as some government bonds, the latter still being relatively scarce," he said. "Banks are penalized by crystallizing a significant amount of funds in cash forms."

U.K. Options

Shariah-compliant short-term investment products will fill a hole in the industry, according to London-based Prime Rate Capital, which oversees \$3.8 billion of assets.

"There is a dearth of products and none of them are overnight," Oulton said. "The alternatives include just leaving it and getting no return at all." Islamic banks will be able to place their deposits with the fund, which will then buy and sell commodities in so-called Murabahah transactions, he said.

A Murabahah contract is a sale and deferred-payment accord based on an asset, usually a commodity such as oil, sugar or metals, in which the cost and profit margin are pre-agreed.

"Even though there are providers out there, this particular segment needs some institutional deepening," said Ahmad Alanani, the Dubai-based director of fixed-income sales at investment bank Exotix Ltd.

Certificates of Deposits

Global sales of sukuk, which pay returns based on asset flows to comply with the religion's ban on interest, fell 31 percent this year to \$13.8 billion, Bloomberg data show. Issuance reached a record \$31 billion in 2007.

Shariah-compliant bonds returned 11.3 percent this year, the HSBC/NASDAQ Dubai US Dollar Sukuk Index shows. Debt in emerging markets gained 13.8 percent, according to JPMorgan Chase & Co.'s EMBI Global Diversified Index shows.

The difference between the average yield for emerging- market sukuk and the London interbank offered rate narrowed two basis points to 347 on Dec. 3 and has narrowed 26 basis points since Sept. 30, the HSBC/NASDAQ Dubai US Dollar Sukuk Index showed.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1254

United Arab Bank hosts Trade Finance Workshop for its Customers

Sunday, December 05, 2010

United Arab Bank (UAB) hosted once again a Trade Finance Workshop for its corporate customers. Following the tremendous success of UAB's previous workshop in Dubai, the workshop took place again this year at the Fairmont Bab Al Bahr Hotel in Abu Dhabi targeting the Bank's Abu Dhabi and Al Ain based customers.

The workshop was conducted by Vincent O'Brien who is a long standing member of the ICC Banking Commission and is the ICC Representative to the WTO Expert Group on the Financial Crisis. Vincent was recently appointed as Chair of the ICC's Market Intelligence Working Group.

The workshop mainly tackled Incoterms (International Commercial Terms) 2010 Rules that will apply globally from January 2011. The Rules set out sellers and buyers obligations under the International Contract of Sale. UAB organized this timely workshop one month in advance of the Rules to support its customers in their International Trade business.

United Arab Bank was awarded 'Best Trade Finance House' by The Banker Middle East for 2010 following a host of innovative initiatives directed at improving its Trade Finance services and strengthening its reputation as an excellent Trade Finance Services provider.

Paul Trowbridge, UAB's Chief Executive Officer, commented, "UAB has left no stone unturned to become a world-class bank in the UAE. We realize that only a single-minded focus on product quality and service excellence would help us get here. Today, we are proud to say that we are well on our way towards that goal. Our long standing Trade Finance offering is no exception to that."

Over the past year, UAB has taken major steps to bring its Trade Finance decision-making closer to the customer, simplifying paperwork and speeding up processes to provide a superior level of service.

Shahid Baloch, EVP, Group Head - Commercial Banking, said, "UAB has arranged this exclusive workshop for our valued customers based not only on our long standing relationship with them, but given the current economic environment we want to partner with our customers to help them understand and to manage the challenges in international trade resulting from the global financial crisis. In addition, it is the Bank's aim to

facilitate our Trade Finance customers being strongly positioned to get the most out of the expected global trade upturn which is already showing some positive signs."

Having delivered award winning Trade Finance technical assistance and training in more than 50 countries worldwide, Vincent O'Brien, who delivered the workshop, stated, "Serious exporters and importers must understand the rules so we can get the maximum benefit from the resurgence of Trade that is taking place."

The event was attended by 80 UAB customers who expressed their recognition and satisfaction with the high profile training. "An excellent training session," Mr. Unnikrishnan Balakrishnan, Finance Manager of Al Fara'a Group commented. He added: "I am truly impressed with the quality of the subject and facilitation level." Mr. Khaled Abu Sabha, Finance Manager at Petro Middle East observed, "I would like to thank UAB for giving its customers the opportunity to remain abreast of all developments in Trade Finance and to offer us the expertise of Mr. Vincent O'Brien."

UAB became part of a GCC regional banking alliance in December 2007 upon the acquisition of a 40% interest in UAB by The Commercial Bank of Qatar (Cb), Qatar's largest private sector bank. With the Commercial Bank of Qatar concluding a similar alliance with National Bank of Oman (NBO) two years previously, all three banks are more strongly positioned for future growth.

In a challenging financial environment, United Arab Bank continued to maintain earnings momentum recording net profit growth of 6% for the nine months ended September 2010 compared to the same period in 2009.

http://www.globalislamicfinancemagazine.com/?com=news_list&nid=1255

QInvest, Ambit launch Shariah-compliant Indian fund

Wednesday, December 08, 2010

Doha: As a continued sign of its clients' appetite, QInvest, Qatar's leading Investment Bank, in collaboration with India's premier financial services partner, Ambit, announced the launch of the Ambit QInvest India Fund, an open ended Shariah-compliant Indian Equities Fund.

The fund is the region's first and India's largest Shariah-compliant equity fund with an investment strategy that will combine dynamic equity allocation to generate returns.

The Ambit QInvest India Fund further strengthens QInvest's position as the leading investment bank in developing Shariah-compliant innovative solutions to satisfy its Qatari and regional clients' appetite towards investing in growth markets.

Leveraging Ambit's expertise and consistent track record, the fund offers an attractive entry point for investors to leverage the potential for long term price appreciation

underpinned by strong growth drivers in the Indian market. QInvest conviction in this project and the Indian market is further demonstrated by seeding capital into the product.

Commenting on this launch, QInvest's CEO, Shahzad Shahbaz, said: "The Indian equity market provides investors with a highly attractive opportunity to invest in a diversified range of Shariah-compliant equities. The market capitalisation of Shariah-compliant companies within the Nifty, stock market index, is nearly 60 percent".

"The Fund's performance in the last three months, since inception, is 10.4 percent" Shahbaz added.

QInvest and Ambit recently organised a professional workshop entitled "Invest in India" at the Four Seasons hotel in Doha, Qatar. Attended by a group of senior bankers and institutional investors, the workshop addressed the current status of the Indian equity market that offers distinct advantages for investors seeking to leverage the fast growing Indian market and an opportunity to diversify their portfolios.

Over 6,000 listed companies boasting in excess of \$1.3 trillion market capitalisation has enabled the Indian stock market to be ranked as one of the best performance among emerging markets. And while China has outperformed on economic growth, India has provided consistent returns to stock market investors in the last 5 years in overall terms.

"Key Shariah-compliant growth sectors in the Indian economy are likely to witness significant activity including power, roads, automotive, pharmaceutical and consumer staple and non-staple products." Said Andrew Holland, Equities CEO at India's Ambit Capital Pvt Ltd.

With many global pension funds increasing their India weightage, a re-rating of the market is probably warranted. "We see the Sensex, Indian stock market index, at 23,000 by March 2011," added Holland.

"The Indian economy should see robust growth and given that valuations remain attractive, investors are looking to reallocate capital away from more developed equity markets, where their confidence is lower".

To further strengthen its access to the Indian market, QInvest made an important strategic investment by taking a stake of 25 percent in India's Investment Bank, Ambit Corporate Finance Pvt Ltd, giving clients access to this high growth market in which many investors have expressed keen interest.

Just recently, QInvest has acquired a 28 percent stake in Asian Business Exhibition & Conferences Ltd (ABECL), India's leading exhibitions and conferences organizer, to further expand ABECL's operations within India and internationally.

the peninsula

International Development Bank of Iraq identifies Path Solutions as major strategic IT partner

Thursday, December 09, 2010

Kuwait's leading IT solutions provider, Path Solutions announced today that International Development Bank of Iraq had signed up for iMAL, its Islamic banking solution on September 26.

In accordance with the agreement, iMAL Core Banking solution will seamlessly integrate various aspects of the Iraqi International Development Bank's divisions through a single interface which includes Core Banking, Internet Banking, Investment banking, Branch Automation, Trade Finance, Islamic Treasury, Islamic Profit Calculation, Data Warehouse & MIS, Delivery Channels and Central Bank Reporting.

Speaking on the occasion, Path Solutions' Chairman & CEO, Mohammed Kateeb, said that the International Development Bank of Iraq win reaffirms Path Solutions' greater regional focus. "Signing up with IDB of Iraq is an important landmark for Path Solutions since it establishes a dominant place for iMAL core banking solution in the country. Over the past year, we have been in rapid client acquisition mode in Iraq, which we see as one of our key markets", he said. "We will continue to focus strongly on the Iraqi market, where we have already made our mark with two other clients, by providing best-of-breed AAOIFI-certified software solutions and services", Kateeb added.

Iraq of 2010 is getting ready to flourish and expects the financial sector to take its earning position to be an economic leader and a major player in the Middle East and respective markets. International Development Bank is proud to be one of the prime banks with the maximal capital. It is laying the foundation gradually; organizing its management, personnel and plans by means of modern, technical and professional systems; emerging and leading among competitors; thus paving the way for enriching the banking culture to be worth of the legacy of the first country that invented writing, made laws and registered the first commercial transactions.

General Manager of the International Development Bank of Iraq Hussein Alhakim said, "IDB of Iraq is happy to associate with a globally renowned IT solutions provider such as Path Solutions which appeared with its end-to-end award winning software solutions as the best match for our anticipated IT initiatives. Our plans are totally focused in meeting current and evolving client needs towards sustainable business growth. This agreement is in line with the strategy of International Development Bank of Iraq to further strengthen its leadership position in the Islamic banking space not only in Iraq but the whole region".

Path Solutions' rapid success in Iraq is due largely to its impeccable implementation track

record, providing Islamic banks and financial institutions with the flexibility to launch innovative and true Islamic banking products and services rapidly and cost effectively.

<http://www.ameinfo.com/251075.html>

Bank Muamalat Pre-tax Profit Rises to RM102.1 Million

Friday, December 10, 2010

KUALA LUMPUR, Bank Muamalat Malaysia Bhd's pre-tax profit for the first six months ended Sept 30, 2010 has breached the RM100 million mark.

In a statement here Friday, the bank said its pre-tax profit rose by 60 per cent to RM102.1 million.

Bank Muamalat attributed the better results to the steady and broad-based performance, including significantly reduced provisions for impaired assets.

It said net profit for the first six months ended Sept 30, 2010 increased by 53 per cent to RM71.9 from RM47 million in the same period last year.

The bank said total assets grew by 8.3 per cent to RM16 billion.

"The expansion was driven by the 10.7 per cent increase in financing, attributed to steady credit appetite from both the consumer and wholesale businesses," it said.

Meanwhile, in a separate statement, the bank said it has not considered any strategic partnership nor entered into the open bid for Pos Malaysia Bhd.

It said this in response to an article published by an investment research company, entitled "Pos Malaysia -- Bank Muamalat could be the strategic partner".

DRB-HICOM Bhd holds 70 per cent stake in Bank Muamalat and Khazanah Nasional Bhd the rest.

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=549172>

Capital Intelligence affirms AlBaraka Islamic Bank's ratings

Saturday, December 11, 2010

Capital Intelligence (CI), the international credit rating agency, announced that it has affirmed Bahrain-based AlBaraka Islamic Bank (AIB)'s Foreign Currency Long and Short-term ratings at BB+ and A3 respectively. The Bank's Financial Strength Rating was also maintained at BB in view of the moderate improvement in asset quality and profitability in the first nine months of 2010, notwithstanding ongoing challenges

associated with building profitability to a solid footing. The Support Level of 2 reflects AIB's strong ownership through its parent AlBaraka Banking Group in Bahrain. The Outlook for the ratings is Stable.

AIB's asset quality and profitability had suffered a significant setback in 2009 as a result of the sharp increase in non-performing financings (NPFs) related to two large distressed borrowers in Saudi Arabia and Kuwait. In response to the increase in NPFs the Bank stepped up provisioning to unprecedented levels. However the Bank's ongoing weak operating profitability severely restricted its capacity to absorb the substantial provision charges and this resulted in a record net loss. Although the latter had the undesirable effect of eroding the capital base to a discernible degree, the balance sheet remains solidly capitalised. Free capital however is rather strained by the level of unprovided NPFs.

The Bank resumed lending in the current year but rather cautiously given the current challenging economic environment. The liquidity position continued to improve as measured by the net financing to stable funds ratio and the increased pool of liquid assets. AIB nonetheless remains a small bank by all measures and this gives rise to concentrations within funding and assets.

While the recent merger of AIB's Pakistan operation with Emirates Global Islamic Bank in Pakistan has increased geographic exposure to Pakistan, it is noteworthy that the bulk of AIB's asset quality problems have historically related to the Bahrain operation. That said, AIB's exposure in Pakistan poses a comparatively high level of credit risk within the context of sovereign risk factors and the country's challenging operating environment. Emirates Global Islamic Bank is a small bank (total assets \$175m) set up in Pakistan in 2007 by UAE and Saudi investors.

AIB reported total assets of just over \$1bn at end September 2010. Its principal activities include the provision of Shari'a compliant demand and investment accounts (with respect to the latter the Bank shares profits as skill/expertise provider or agency (for a fee); finance and investment on the basis of Murabaha (cost plus profit margin), Mudaraba (the Bank shares profits as capital provider), Musharaka (participation investment) and Ijara.

<http://www.ameinfo.com/251136.html>

3. SUKUK (ISLAMIC BONDS)

Utility Sukuk out beats Real Estate Funds

Monday, December 06, 2010

Islamic bonds that pay returns based on cash flows from airports and utilities rather than income from property may stay in favor in the coming year after a drop in Persian Gulf real-estate prices shook investor confidence.

Saudi Electricity Co.'s 7 billion-riyal (\$1.9 billion) sukuk sold in May was underwritten by income from fees such as connection charges, according to its prospectus. Nomura Holdings Inc., Japan's largest brokerage, sold Islamic debt in Malaysia in July using aircraft as the underlying asset. Pakistan raised 51.8 billion rupees (\$605 million) in a Nov. 8 Islamic bond sale linked to the Jinnah Terminal at Karachi's Quaid-e-Azam International Airport.

The 50 percent decline in real-estate prices in Dubai from their peak in mid-2008 contributed to a 31 percent retreat this year in global sales of Islamic debt that pay asset returns to comply with the religion's ban on interest. Offerings are picking up following an agreement by Dubai World, one of the emirate's three main state-owned holding companies, in September to reschedule debt payments.

"With new bonds coming after debt restructuring in the Gulf, investors will be keen to know the quality of businesses and what kind of cash flows they generate," Esther Teo, who helps manage the equivalent of \$2.9 billion of Islamic and non-Islamic funds at Kuala Lumpur-based HwangDBS Investment Management Bhd., said yesterday. "The asset linked to a sukuk is important given the way it is structured and after the default concerns in the Middle East."

Saudi Arabian Oil Co. and Total SA, Europe's third-biggest oil company, plan to sell \$1 billion of sukuk this year in a joint issue, Simon Eedle, global head of Islamic banking at Credit Agricole SA, the lead arranger, said in Abu Dhabi in October. Nakheel PJSC, the developer of palm-shaped islands off Dubai's coast, may issue sukuk to its trade creditors in the first quarter, Faisal Mikou, executive vice president at the Investment Corp. of Dubai, said in the emirate on Nov. 28.

The Palestine Monetary Authority will offer Islamic debt for the first time in 2011. The central bank may sell as much as \$50 million of notes to jump-start the territory's Shariah-compliant finance industry and raise funds to construct its headquarters, Governor Jihad al-Wazir said in an interview in Ramallah on Nov. 25.

Sukuk sales dropped to \$13.7 billion this year, according to data compiled by Bloomberg. Offerings from the Gulf Cooperation Council, which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, declined 40 percent to \$4 billion in 2010 from the same period last year.

Shariah-compliant bonds returned 11.1 percent this year, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index. Debt in emerging markets gained 13.1 percent, JPMorgan Chase & Co.'s EMBI Global Diversified Index shows.

The difference between the average yield for emerging-market sukuk and the London interbank offered rate narrowed 11 basis points yesterday to 350 points, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1251

Indonesia Sukuk Yields Fall From 2-Month High on Moody's

Wednesday, December 08, 2010

Prospects Indonesia will get a credit-rating upgrade from Moody's Investors Services are pulling down yields on government Islamic notes from a two-month high and improving the outlook for a second global sukuk.

The yield on the Southeast Asian nation's five-year sukuk has dropped to 2.85 percent from 3.14 percent on

Nov. 16, according to prices from the Royal Bank of Scotland Group, as Moody's said this week it may

raise Indonesia's Ba2 rating on growth and improving debt levels. The government sold the notes in April last year at a yield of 8.8 percent.

Moody's cited "economic resilience" in putting the country's rating, which is two levels below investment grade, on review on Dec. 1 for a possible upgrade. The government, which attracted more than seven times the amount offered for its inaugural overseas sukuk, postponed an offering of Islamic bonds originally planned for July until the first half of 2011.

"A rating increase of two steps would certainly open up the investor pool because most fund managers follow strict guidelines that don't allow them to invest in assets that are non-investment grade," Zeid Ayer, who helps manage \$1.6 billion of Shariah-compliant assets at CIMB-Principal Islamic Asset Management Bhd., said in an yesterday.

The extra yield investors demand to hold Indonesia's Islamic notes over similar-maturity U.S. Treasuries has narrowed to 182 basis points, or 1.81 percentage points, from 705 when the bond was sold in April 2009, according to data compiled by Bloomberg.

Sukuk Rally Snapped

Sukuk snapped a five-month rally in November as Ireland sought a bailout for its banks from the European Union, reducing demand for higher-yielding assets. Average yields climbed 24 basis points since the end of October to stand at 5.09 percent yesterday, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index.

Malaysia, the world's biggest market for sukuk, raised \$1.25 billion in June from a sale of Islamic bonds, the nation's first global debt offering in eight years. It received orders for five times the amount on offer, according to the finance ministry.

The yield on Malaysia's 3.928 percent dollar-denominated sukuk due in June 2015 raised seven basis points this week to 2.97 percent, according to RBS prices. The rate has dropped 96 basis points since the date of issue, while the spread with similar-maturity Treasuries shrank to 151 points from 180. Malaysia is rated A3 by Moody's, the fourth-lowest investment grade.

Rahmat Waluyanto, director-general at the Indonesian Finance Ministry's debt-management office, said Aug. 26 the government delayed its second sukuk sale after raising "adequate" funds domestically and because of Greece's debt crisis.

Rating Increase

"A rating increase means we could sell at a lower yield and we do need funds to finance our budget and perhaps our dollar debt," Waluyanto said yesterday. The exact size and timing of the new offering will depend on market conditions, he said. Indonesia sold \$650 million at the last sale in 2009.

Indonesia's credit-rating outlook was raised to positive from "stable" by Moody's in June. Standard & Poor's upgraded its assessment to BB in March, two levels below investment grade, and Fitch Ratings in January lifted its grading to BB+ from BB.

"As long as the rating is below investment grade, issuers will not see any changes to their borrowing costs," Chan Cheh Shin, chief investment officer at Kuala Lumpur-based HwangDBS- AIIMAN Asset Management Bhd., said yesterday. "Ultimately, you're still attracting the same group of people, those seeking high yields."

Global sales of sukuk, which pay returns based on asset flows to comply with the religion's ban on interest, fell 31 percent this year to \$13.8 billion, Bloomberg data show. Issuance reached a record \$31 billion in 2007.

Overseas Sales

Shariah-compliant bonds returned 11 percent this year, the HSBC/NASDAQ Dubai US Dollar Sukuk Index shows. Debt in emerging markets gained 13.4 percent, according to JPMorgan Chase & Co.'s EMBI Global Diversified Index.

The difference between the average yield for emerging-market sukuk and the London interbank offered rate widened eight basis points this week to 349, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index. The extra yield investors demand to hold Dubai's government sukuk rather than Malaysia's narrowed five basis points to 379, data compiled by Bloomberg show.

Indonesia's government and local companies have issued \$5.1 billion of Islamic and non-Islamic bonds internationally this year, 30 percent less than the same period of 2009, according to data compiled by Bloomberg. The Finance Ministry sold 60 billion yen (\$713 million) of 10-year Samurai debt on Nov. 12 through a private placement, according to a government statement.

'Low' Yields

The country had a total of \$186 billion of debt outstanding as of Oct. 31, compared with \$169 billion at the end of last year, according to the Finance Ministry. Overseas borrowing stood at \$67.8 billion, up from \$65 billion at the end of 2009.

The budget deficit may widen to 2.1 percent of gross domestic product this year from a shortfall of 1.6 percent in 2009, the ministry forecasts. Malaysia, Southeast Asia's third-largest economy, had a deficit of 7 percent of GDP last year.

The economy may expand as much as 6.5 percent in 2011 and an estimated 6 percent to 6.3 percent this year, the central bank said Oct. 5.

Indonesia may reach investment grade within two years, which would place it on a par with India and Hungary, Anton Gunawan, the chief economist at Jakarta-based PT Bank Danamon Indonesia, said yesterday.

"The sooner the government sells the debt the better," he said. "Yields are still low."

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1258

Best Indonesia Sukuk Fund Expects Rating Boost on Returns

Thursday, December 09, 2010

Indonesia's Islamic bonds may extend this year's rally that drove yields to record lows on prospects of further ratings upgrades, according to the manager of the world's best-performing sukuk fund.

PT Bhakti Asset Management's BIG Dana Muamalah fund, which returned 13.4 percent this year, bought rupiah-denominated government sukuk in March, the same month Standard & Poor's raised the nation's rating to BB, two levels below investment grade. BIG Dana, the top performer in 2010 among 67 Shariah-compliant fixed-income funds tracked by Bloomberg, expects more Indonesian companies to sell Islamic bonds next year.

"Yields will fall if the credit rating is upgraded to investment grade and more corporate sukuk issuance comes on board," Jakarta-based Akbar Syarief, who helps oversee 700 billion rupiah (\$77.6 million) at Bhakti Asset, said in an interview on Dec. 3. "Achieving similar returns for the coming year is possible."

Six of this year's 10 best-performing Islamic funds are from Indonesia as S&P and Moody's Investors Service increased their credit assessments because of the nation's improving economy and government finances. The yield on the rupiah-denominated sukuk maturing in 2015 has dropped at more than five times the pace of similar-maturity debt in Malaysia, which is rated higher at A- by S&P.

Global Inflows

The yield on Indonesia's 11.8 percent local-currency Islamic bond due in August 2015 has declined 203 basis points, or 2.03 percentage points, this year. The rate reached a record-low 6.35 percent on Dec. 3, according to data compiled by Bloomberg. Indicative yields on ringgit sukuk dropped 38 basis points to 3.46 percent, according to an index compiled by Bank Negara Malaysia.

Mega Dana Obligasi Syariah, managed by Jakarta-based PT Mega Capital Indonesia, returned 12.1 percent this year to be the second-best performing sukuk fund. Nany Susilowati, president director of Mega Capital, didn't return calls made to her office or reply to e-mailed questions seeking comment.

"Rating upgrades are coming next year, although a two-level increase can't be expected until 2012," Helmi Arman, a fixed-income analyst at PT Bank Danamon, Indonesia's sixth-largest lender, said in an interview from Jakarta yesterday. "Yields on Indonesian bonds generally will fall further on two reasons; rating upgrades and inflows of global funds."

Moody's on Dec. 1 placed Indonesia on review for a possible upgrade to its Ba2 rating, two levels below investment grade.

"The economic recovery is being sustained alongside well-managed external accounts and reasonably good inflation fundamentals," said Aninda Mitra, a vice president at Moody's and its lead sovereign analyst for Indonesia, in a statement.

Foreign Holdings

Foreign holdings of Indonesian bonds rose 79 percent this year to a record 192.9 trillion rupiah as of Dec. 3, according to data from the finance ministry's website.

Global sales of sukuk, which pay returns based on asset flows to comply with the religion's ban on interest, fell 31 percent this year to \$13.8 billion, Bloomberg data show. Issuance reached a record \$31 billion in 2007.

Shariah-compliant bonds returned 12 percent in 2010, the HSBC/NASDAQ Dubai US Dollar Sukuk Index shows, while debt in emerging markets gained 13 percent, according to JPMorgan Chase & Co.'s EMBI Global Diversified Index.

The difference between the average yield for sukuk in developing nations and the London interbank offered rate has narrowed 151 basis points to 316 points since Dec. 31, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index. The extra yield investors demand to hold Dubai's government sukuk rather than Malaysia's narrowed 51 basis points to 347 this month, data compiled by Bloomberg show.

Draw Investors

Indonesia's local-currency Islamic bonds beat the nation's only dollar-denominated global sukuk this year. The notes returned 16.4 percent, compared with 9.3 percent for the U.S. currency debt, according to data compiled by Bloomberg.

Indonesia plans to sell Shariah-compliant notes to individual investors in the local market and a global sukuk in the first half of 2011, Rahmat Waluyanto, director-general at the Finance Ministry's debt-management office, said Dec. 2. In February, the government sold 8.03 trillion rupiah of Islamic bonds to the general public, more than the 3 trillion rupiah target, Waluyanto said after the sale.

"We expect the returns to draw more investors to sukuk funds," said Bhakti Asset's Syarief.

BIG Dana increased its fund to 113 billion rupiah from 19 billion rupiah at the start of the year, according to Syarief. Mega Dana is 95 percent invested in bonds and 5 percent in money-market instruments, according to its website.

"The limited supply of corporate sukuk prompted us to buy more government sukuk," Syarief said. "The opportunities from higher yields and capital gains due to the liquidity of government sukuk made it more attractive."

<http://www.bloomberg.com/news/2010-12-08/best-indonesia-sukuk-fund-expects-rating-boost-on-returns-islamic-finance.html>

Dubai Sukuk Rally on S&P Review, Qatar Cup Bid

Friday, December 10, 2010

Dubai's Islamic bonds led a rebound in Persian Gulf sukuk this week, ending the worst stretch of losses in 10 months, as Standard & Poor's raised its outlook on DP World Ltd. and Qatar won the right to host the World Cup.

Average yields on Shariah-compliant bonds from the Gulf Cooperation Council fell 13 basis points, or 0.13 percentage point, to 5.72 percent as of yesterday, according to the HSBC/NASDAQ Dubai GCC Dollar Sukuk Index. The yield on DP World's 6.25 percent note maturing in July 2017 dropped 18 basis points this week to 6.97 percent, according to data compiled by Bloomberg. Yields on sukuk sold by Indonesia and Malaysia rose, tracking U.S. Treasuries.

S&P revised the ratings outlook on the world's fourth- biggest port operator to "stable" from "negative" on Dec. 2, citing improved financial results and the debt restructuring at its parent, Dubai World. The prospect Qatar's successful bid will attract international investment and a rally in oil prices bode well for economic growth in the region, according to Manama-based Bahrain Islamic Bank.

“There is a general pickup in regional risk appetite,” Hussain Albanna, head of fixed-income trading at Bahrain Islamic, said in an interview yesterday. “There’s optimism Qatar’s win will create a construction boom and spill over to the Gulf. I still believe there is a lot of value in regional sukuk.”

‘Risk Factors’

Investors also sought relatively higher yields as President Barack Obama’s extension of U.S. tax cuts increased appetite for riskier assets.

The yield on the Dubai Department of Finance’s 6.396 percent Islamic bonds due in November 2014 dropped 17 basis points this week to 6.61 percent, the first decline in five weeks, Bloomberg data show.

“There’s international buying interest for Dubai names,” Louis Najem, a fixed-income sales trader at Rasmala Investment Bank in Dubai, said in an interview yesterday. “The idea is that there’s more bang for your buck when you consider the relevant risk factors.”

More money may flow into the Persian Gulf after Qatar won the bid to host soccer’s World Cup in 2022 and as the Malaysian ringgit’s retreat from a 13-year high signals funds may exit the Southeast Asian nation for the time being, according to OSK-UOB Unit Trust Management Bhd.

‘Hot Money’

“This is hot money; once they made money on the bonds and made money from the currency, out they go,” Mohd Noor Hj A Rahman, head of the Islamic fund management unit at OSK-UOB Unit Trust, said in an interview from Kuala Lumpur yesterday. “The Gulf market is attractive after Qatar won the rights for the World Cup.”

State-owned Dubai World reached an accord in September with most of its creditors to restructure \$24.9 billion of debt. Sales of Shariah-compliant bonds, which pay returns based on assets to comply with Islam’s ban on interest, dropped this year as debt restructuring in the Middle East crimped demand.

Global issuance fell 27 percent to \$14.5 billion in 2010 from a year earlier, compared with a record \$31 billion sold in 2007, according to data compiled by Bloomberg. Offerings from the six-nation GCC dropped 34 percent to \$4.4 billion.

Indonesia, Malaysia Drop

The difference between the average yield for sukuk and the London interbank offered rate narrowed 34 basis points this week to 313, a two-year low, according to the HSBC/NASDAQ Sukuk Index. In the GCC, which includes Qatar, the United Arab Emirates and Kuwait, the gap shrank 33 basis points to 389.

Islamic notes returned 11.8 percent this year, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index. Bonds in developing markets gained 13.2 percent, JPMorgan Chase & Co.'s EMBI Global Diversified Index shows.

The yield on Malaysia's 3.928 percent Islamic note due June 2015 rose 11 basis points this week to 3.04 percent, according to prices provided by Royal Bank of Scotland Group Plc. The rate on Indonesia's 8.8 percent bond maturing April 2014 climbed 25 basis points to 3.11 percent.

The extra yield investors demand to hold Dubai's government sukuk rather than Malaysia's narrowed 37 basis points to 346 this week, the least in two months, data compiled by Bloomberg show. The difference with DP World's debt shrank 39 basis points to 381 and touched the lowest since the Malaysian sukuk was sold at the start of June.

'Superior' Ratings

Malaysia is rated A- by S&P, its fourth-lowest investment grade, while Indonesia and DP World both have BB ratings, two levels below investment grade. Dubai's Department of Finance isn't rated by either S&P or Moody's Investors Service.

"Malaysia and Indonesia are considered much superior credits and hence their yields are closely related to U.S. Treasuries," Usman Ahmed, a senior fund manager at Emirates NBD Asset Management, which oversees \$300 million in bonds at the unit of the U.A.E's biggest lender, said in an e-mailed reply to questions yesterday.

<http://www.businessweek.com/news/2010-12-10/dubai-sukuk-rally-on-s-p-review-qatar-cup-bid-islamic-finance.html>

4. TAKAFUL (ISLAMIC INSURANCE)

Takaful for all

Sunday, December 05, 2010

Unlike conventional insurance, this scheme is about the intention to help one another in financial protection, Before Prophet Muhammad and the coming of Islam, tribes in the Arab desert lived by a social code whereby a group would bind together, in good times and bad, If an individual member of their unit suffered harm, loss of property or death, the unit would cover such loss by revenge, blood-letting, or payment of blood money.

"Bound by these principles of al-aqilah (societal responsibility) and diat (blood money), they believed that if you harm somebody, you have to recompense another person for the

harm caused. But if you cannot pay, then the community will come together to pay,” says Datuk Syed Moheeb Syed Kamarulzaman, chairman of the Malaysian Takaful Association.

Syed Moheeb adds that the concept of a group sharing in one’s misfortune was also prevalent among Chinese traders of yore, “For instance, if those in a caravan group were attacked by bandits, if something happened to their camels, or if they faced trouble on their ship, then the rest of the group would chip in to pay for any losses.”, These age-old practices form the basis of the Takaful insurance system, which became more clearly defined under the spiritual beliefs of Islam, guided by the rules and regulations of Syariah.

Driven by the value of mutual protection, a Takaful scheme is similar to conventional insurance in many ways, “In Takaful, many pay into a pool and funds from the pool are used to help the unfortunate few,” says Syed Moheeb.

“The difference is that, in Takaful, people put their money into the pool with the specific intention of helping the unfortunate.”, As illustrated by the historical perspective above, Takaful is based on the simple community practice of coming together to help one another.

“In Takaful, there are many edicts that encourage us to take care of other people, to ensure the financial stability of our kin, as well as to ensure that there is responsibility and bond with the society as a whole. In conventional insurance, which is purely a commercial transaction, these values are absent.”, The belief is that if you join a Takaful scheme with the pure intention of protecting the unfortunate, such good will be recompensed to you in the form of divine blessings later on.

Although Syed Moheeb quotes the Quran – “Help ye one another in righteousness and piety but help ye not one another in sin and rancour” (*Al Maidah: 2*) – he also notes that the concept of divine blessing is shared by all religions and philosophical beliefs.

However, he is not out to make Takaful sound more noble than conventional insurance., “Insurance companies provide a service. They take heavy risks, and aim to be compensated for that. It is simply that the altruistic nature of Takaful works to the advantage of participants because it promotes the spirit of cooperation and brotherhood. If there is a surplus, then the participants will get something back.

“In Takaful, everyone’s risk is shared. So, the pool of money does not belong to the Takaful operator, who is only managing it. It belongs to all those who participate in the scheme,” he explains.

On the other hand, when you buy conventional insurance, you are transferring your risk to the insurance company. Hence, your money belongs to the company, which will use the funds to pay the unfortunate and keep the balance.

In practice, there are also other differences between Takaful and conventional insurance policies. Although the types of available Takaful products are similar to conventional insurance in terms of classes (life, family, motor, medical), they are based on Syariah-compliant principles that create differences in the way a person contributes to the fund and receives benefits.

Syed Moheeb explains: “In Islamic law, any exchange must be fair in value (fair exchange or equality), and it must take place within a stipulated time frame (certainty), “Therefore, to make the concept of insurance applicable under Syariah law, the wording of the contract is changed, so that it is not a contract of exchange, but a contract of donation.

“In the proposal form, the policyholder declares that ‘I donate into this pool and appoint a Takaful operator as the managing agent to handle the funds according to the best practices’.”

Malaysia is the No.2 Takaful market in the world, second only to Saudi Arabia. With eight companies and four more to come, the Takaful industry here has been growing at an average rate of 40% per year, compared with 12% for the conventional insurance industry, he adds.

It is significant that Syed Moheeb uses the phrase “joining a Takaful scheme”, instead of “buying Takaful”. “We do not sell Takaful, but we invite people to participate in the scheme or the fund.”

He is also quick to refute the perception that Takaful is only for Muslims.

“This was never the case. Perhaps this perception came about because our target market was Muslims, due to the fact that only one in 20 Muslims had any life insurance, so it made more sense to sell family or life Takaful to them.

“But of course, non-Muslims can join the Takaful scheme as well. Anybody who wants to protect his financial risk can benefit from Takaful.”

In most Takaful companies in Malaysia, an average of three or four out of 10 policyholders are non-Muslims, demonstrating their increasing interest in Takaful products, of which there is a wide range of choices.

Syed Moheeb advises consumers to do their research well before choosing which fund to join.

Even if you have already purchased conventional insurance for life, family, medical, or motor coverage, you can still consider Takaful funds to plug any gaps in your existing coverage.

“One should compare the product features, ensure the pricing is commensurate with that and look for a company that is able to provide good service.

“Do check the claims-paying capabilities of the company, as well as its reputation.

“Make sure you have a good and responsible Takaful broker or agent who will help you determine if you have protected yourself to the optimum level. Our priority is helping you ensure that all your needs are addressed,” he assures.

<http://thestar.com.my/lifestyle/story.asp?file=/2010/12/5/lifefocus/7530950&sec=lifefocus>

5. ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS

KFH makes early \$250m payment as part of financing deal

Thursday, December 09, 2010

Kuwait Finance House (KFH), the country's biggest Islamic lender, has made an early payment of \$250m that was due in March 2011. "KFH paid an early instalment worth \$250m that was due next March, as part of a Murabaha financing deal with several international and regional banks worth \$850m," KFH said in a statement. The Murabaha deal, secured in 2006, was aimed at financing the lender's expansion plans and future projects, KFH said.

<http://www.ameinfo.com/251032.html>

6. ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

Fifth Annual Islamic Business & Finance Industry Awards To Take Place In December

Sunday, December 05, 2010

Dubai- Islamic business and finance is experiencing strong growth, particularly throughout the emerging market economies of Asia and the GCC, with increasing institutional and infrastructural support. Recognizing the economic advantages and benefits reaped throughout Asia and the GCC, the industry is becoming a vital and competitive alternative to conventional finance systems throughout the world.

To highlight the phenomenal performance and development of the Islamic finance industry, CPI Financial, publisher of Islamic Business & Finance magazine, will be hosting the fifth annual Islamic Business and Finance Awards in Dubai on 21st December. These Awards are recognized around the world as one of the most distinguished Awards Programmes within the financial industry.

"Since their inception, the Islamic Business and Finance Awards have been setting the benchmark for successful Islamic financial institutions and experts from around the world and the region," says Dominic De Sousa, Chairman of CPI Financial.

A total of 30 accolades will be presented at the Islamic Business and Finance Awards. Shortlists for the various Shari'ah-compliant banks and financial institutions are being compiled by an international panel of judges comprised of leading experts and consultants in the industry. The individual awards presented for 'Outstanding Contribution to the Industry', 'Islamic Banker of the Year' and 'Lifetime Achievement', are 'write-in' awards that require the voters to nominate the individual most deserving of the accolade.

"At a global level, the significance and rising attraction of Islamic finance is transforming today's financial world. The industry has proved to be a stable and promising finance sector, growing by 15-20 per cent over the past decade," says Robin Amlôt, Managing Editor of CPI Financial.

Many are seeing that Shari'ah-compliant financial systems encompass a comprehensive screening process, greater transparency and a need to understand the nature of the investment rather than just focusing on returns. In turn, this ensures built-in checks and balances that create a more stable financial institution.

"Islamic assets are now worth around \$1 trillion and with a global Muslim population of nearly two billion people we are seeing a clear shift in preferences towards Islamic finance. Up to 50 per cent of all Muslim savings are likely to be held by Islamic banks by 2020," Amlôt adds.

In response to the extraordinary growth rate of Islamic financial institutions, the Islamic Business and Finance Awards continue to draw industry attention and an ever-increasing audience. Being held on 21st December at the Emirates Towers Hotel in Dubai, the Awards ceremony will honour the exceptional performance of various global and regional organisations as well as distinguished individuals within the Islamic finance industry.

<http://www.zawya.com/story.cfm/sidZAWYA20101205084125>

Citi Wins Major Awards in the Islamic Finance News Deals of the Year 2009

Wednesday, December 08, 2010

The Islamic Finance News Deals of the Year 2009 have recently been announced with Citi winning in three categories: Sukuk Deal of the Year; Corporate Finance Deal of the Year and Turkish Deal of the Year.

Winners were decided by a distinguished judging panel, organized by Islamic Finance News, the global Islamic finance news provider. The publication has supported the Islamic Finance Deals of the Year since its inception five years ago.

Citi was recognized for its work on the following projects:

- * GE Capital's inaugural US\$ 500 million 5 year Sukuk issue (Sukuk Deal of the Year)
- * Petronas's debut US\$ 1.5 billion 5 year Sukuk (Corporate Finance Deal of the Year)
- * Ozkan Demir Celik Murabaha Syndication (Turkish Deal of the Year) – Won by Citi for the fourth year in a row.

Commenting on the awards, Atiq ur Rehman, Chief Executive Officer for the Middle East Division, based in the UAE, said: “The Awards by Islamic Finance News speak volumes for our progress in the past few years. With a dedicated team of Islamic Finance professionals working with their colleagues across the Citi network, we are proud to be able to deliver award winning results for our global clients and connecting them with the Islamic market.”

Citi’s Global Islamic Banking operations were established in 1981 in London, and in 1996 Citi became the first international financial institution to set up a separately capitalized shari’a-compliant subsidiary– Citi Islamic Investment Bank.

Since inception, Citi Islamic has played a pioneering and leading role in the development of Islamic Finance globally, having successfully arranged several billion dollars of Islamic transactions for issuers in the Middle East, Asia, Europe and Latin America. This includes the origination, structuring and distribution of numerous landmark Sukuk, syndications, project financings, Islamic advisory and investment products. Today, the bank is an innovator in this industry and one the leading bookrunners of international Islamic Finance transactions.

Samad Sirohey, Chief Executive Officer of Citi Islamic Investment Bank & Head of Global Islamic Banking, added: "This is recognition of Citi's leadership in creating innovative solutions for our global clients in the Islamic market. We are delighted to share these awards with our clients and colleagues in the industry. "

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1257
