

Report # 173
BUSINESS AND POLITICS IN THE MUSLIM WORLD
Weekly Report on Global Islamic Finance
Period: May 23 – May 29
Presentation Date: June 01, 2011
Submitted By: Zain Arshad

Report Outline

1. GLOBAL ISLAMIC FINANCE

- Islamic banks urged to be wary of risks they face
- Malaysia Needs No Capital Control in Islamic Finance
- Islamic Banks are Urged to be Wary of Risks
- Oman Exhibits Shariah Compliancy in Islamic Banking
- Islamic Banking Handling Lucrative Amounts of \$20 Trillion
- Islamic finance a Tool for International Trade
- No major impact on Islamic finance due to Arab Spring
- Malaysia's Najib Says Islamic Finance Can Play Bigger World Role
- Malaysia Still Lacks Shariah Financial Planners, Says Donald

2. ISLAMIC BANKING & INSTITUTIONS

- National Bank for Development in cooperation with Abu Dhabi Islamic Bank announces its Q1 2011 financial results
- Kuwait Finance House: Full-fledged range of banking products
- Saudi Telecom's Indonesian subsidiary completes \$1.2bn financing
- Standard Chartered facilitates convenient access to banking products and services at Hamriya Free Zone in Sharjah
- \$140m loan deal signed with IDB
- Gatehouse Bank's UK properties returns beat forecast
- KFH Strategizes Under Five-year Transformation Plan
- Standard Chartered Affiliate, Foreign Banks Chase Muamalat Stake
- Barwa Bank in Talks after QCB Move
- Dubai's Noor Islamic Bank denies merger plans
- Bank Muamalat targets 15%-20% profit rise

3. SUKUK (ISLAMIC BONDS)

- April proves lowest issuance of Sukuk year to date, shows Kuwait Finance House Research
- Experts highlight sukuk as important Islamic finance tool
- Citi to offer custody services to Nakheel sukuk investors
- Kazakhstan considering \$500mn sukuk issue
- IDB plans to boost \$3.5bn sukuk program
- Experts Highlight Sukuk as Important Islamic Financ

- King and Spalding advises Islamic Development Bank on \$750m sukuk

4. ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS

- HSBC Amanah fund chosen for UK national pension scheme
- BLME Launches UK Shariah Compliant Industrial Investment
- IDB Funds Medical Services in Pakistan

5. ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

- Pakistan Hosts World's Largest Conference on Islamic Microfinance
 - Islamic Foundation UK bags IDB Prize in Islamic Economics for 2011
-

Summary:

Oman has exhibited excellence in Shariah compliance in Islamic banking as it recently was announced as the fastest growing Shariah compliant country.

Early in May 2011, Oman's ruler, Sultan Qaboos, issued a royal decree paving the way for the authorization of the country's first standalone Islamic bank and for other interested banks to set up dedicated Islamic banking windows.

Islamic Finance is a growing industry expected to reach over \$2 million dollars by 2012 and is rapidly growing as an internationally renowned financial tool in global worldwide trade.

Islamic products and services for the corporate segment have also evolved over time. Basic account services have given way to the need for more complex solutions. Historically, a small range of Islamic financing, investment, cash management and treasury solutions limited the ability of a corporate treasury to mitigate foreign exchange, rate, funding, payment, commodity price and business protection risk in a Sharia-compliant manner.

Malaysia still lacks Shariah financial planners despite being a world leader in Islamic finance, capital market and the takaful industries, says Deputy Finance Minister Datuk Donald Lim Siang Chai.

"It is a largely underserved market today that represents an opportunity for Malaysia and requires specialised knowledge such as Shariah compliant wills and estate planning.

It has been reported that Kuwait Finance House "KFH" provides a comprehensive and integrated range of services, products, and offers to its customers that coincide with summer vacation. Holiday times mark the increase in demand for several services that meet the needs of travelers or holiday goers during this important time of the year.

KFH's response is based on the corporate strategy aimed at quickly responding to customer needs. Mr. Salem Abdul Wahab Al-Duwaisan, Deputy Director of Banking Cards Department, said that KFH offers its customers a variety of travel insurance programs to choose from.

1. GLOBAL ISLAMIC FINANCE

Islamic banks urged to be wary of risks they face

Monday, May 23, 2011

Islamic banks needed to manage the risks in the financial system ahead of any possible crisis or downturn, business advisory firm PricewaterhouseCoopers (PwC) warned at the weekend.

Mohammad Faiz Azmi, global leader of PwC's Islamic finance team, said: "Risk management is an issue which cannot be ignored by any financial institution, but Islamic banks in particular need to establish risk management credibility as they aspire to move into the mainstream of the financial system."

Trading in derivatives and speculative investment is forbidden in Islamic banking, as sharia law requires that all transactions be backed by tangible assets. By not associating themselves with forbidden transactions such as these, Islamic banks were not exposed to the same risks which were cited as having resulted in the global economic recession as their non-Islamic counterparts.

Despite weathering the storm, those banking institutions face their own challenges, ranging from real estate risk to operational, liquidity, fiduciary and reputational risk.

According to a recent report issued by PwC on managing Islamic banking risks, these banks tend to have concentrations of cash and of long-term assets, as a result of a shortage of sharia -compliant money market instruments, which creates significant liquidity gaps.

Because of this shortage, "Islamic banks may also find it difficult to generate enough floating-rate assets to offset their floating-rate liabilities, and they lack the interest rate hedging instruments available to conventional banks".

However, the introduction of sharia - compliant repurchase transactions and moves to generate even more sharia -compliant instruments would increase liquidity, said Mr Azmi.

Until that market emerged, banks should thoroughly monitor the risks associated with their liquidity, assets, liabilities and interest rates, he said.

It was common among Islamic banks to have a high exposure to real estate and many Islamic products might be based on real estate assets while actually exposing the bank to counter-party risk.

"In addition to ensuring you have the right skill sets to deal with specialised assets, you also need to clearly communicate these risks and be transparent with stakeholders, so that banks can better manage their risks."

Another development was that there was an increasing focus on whether Islamic products complied with sharia .

This had led to new guidelines and standards being developed that dealt with matters such as the conduct of sharia scholars; the need for a more formalized sharia governance framework; and the importance of independent reviews such as sharia audits.

The sharia audit in particular had disclosed more operational problems, some of which had resulted in financial loss.

"These global developments are important to the Islamic finance industry in Africa and should be addressed as we develop our own Islamic banks," said Zuhid Abrahms, a director in financial services at PwC.

<http://www.businessday.co.za/articles/Content.aspx?id=143501>

Malaysia Needs No Capital Control in Islamic Finance

Monday, May 23, 2011

There is no need to impose capital controls to curb speculative capital inflows at the moment, said International Centre for Education in Islamic Finance emeritus professor Datuk Dr Mohamed Ariff.

"Bank Negara is closely monitoring the situation and mopping up excess liquidity in the financial system. But if the ringgit continues to appreciate resulting in huge capital inflows and if capital controls are to be imposed, it should be at the entry point rather than at the point of exit.

"If it is to be imposed at the exit point, then it is unethical and akin to changing the rules of the game. These controls should not be done in an overzealous fashion as to impact foreign direct investments or long-term capital but only short-term speculative capital inflows.

"Some form of check and balance is required to prevent sending the wrong signals," he said at a press briefing on the launch of United Nations Economic and Social Commission for Asia and the Pacific's (Unescap) Economic and Social Survey of Asia and the Pacific 2011.

A better way to curb capital controls, according to Ariff, would be to form regional cooperation among central banks.

Asked whether the strengthening of the ringgit would make Malaysia's export less competitive, Ariff said it would not if other regional currencies were also to appreciate and as long as the level of productivity improved.

Meanwhile, United Nations Resident Coordinator for Malaysia Kamal Malhotra said although the Asia-Pacific developing countries would continue to drive the global economy this year, high food and fuel prices and volatile capital inflows would pose fresh challenges.

Based on the survey, 42 million more people could remain in poverty in 2011 as a result of food price increases in addition to the 19 million already affected in 2010.

This challenge has to be addressed through a combination of policies at national, regional and international levels. Another fundamental challenge for the medium term would be to boost domestic and regional sources of demand to sustain growth and reduce global macroeconomic imbalances, he noted.

He said consumption would need to be boosted through the creation of employment for men and women and by strengthening social protection programmes, including through the establishment of a minimum social floor.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1639

Islamic Banks are Urged to be Wary of Risks

Tuesday, May 24, 2011

It has been reported that Islamic banks need to manage the risks in the financial system ahead of any possible crisis or downturn, business advisory firm PricewaterhouseCoopers (PwC) warned.

Mohammad Faiz Azmi, global leader of PwC's Islamic finance team, said: "Risk management is an issue which cannot be ignored by any financial institution, but Islamic banks in particular need to establish risk management credibility as they aspire to move into the mainstream of the financial system."

Trading in derivatives and speculative investment is forbidden in Islamic banking, as sharia law requires that all transactions be backed by tangible assets. By not associating themselves with forbidden transactions such as these, Islamic banks were not exposed to the same risks which were cited as having resulted in the global economic recession as their non-Islamic counterparts.

Despite weathering the storm, those banking institutions face their own challenges, ranging from real estate risk to operational, liquidity, fiduciary and reputational risk. According to a recent report issued by PwC on managing Islamic banking risks, these banks tend to have concentrations of cash and of long-term assets, as a result of a shortage of sharia -compliant money market instruments, which creates significant liquidity gaps.

Because of this shortage, "Islamic banks may also find it difficult to generate enough floating-rate assets to offset their floating-rate liabilities, and they lack the interest rate hedging instruments available to conventional banks". However, the introduction of sharia - compliant repurchase transactions and moves to generate even more shariah compliant instruments would increase liquidity, said Mr Azmi.

Until that market emerged, banks should thoroughly monitor the risks associated with their liquidity, assets, liabilities and interest rates, he said.

It was common among Islamic banks to have a high exposure to real estate and many Islamic products might be based on real estate assets while actually exposing the bank to counter-party risk."In addition to ensuring you have the right skill sets to deal with specialised assets, you also need to clearly communicate these risks and be transparent with stakeholders, so that banks can better manage their risks."

Another development was that there was an increasing focus on whether Islamic products complied with shariah. This had led to new guidelines and standards being developed that dealt with matters such as the conduct of shariah scholars; the need for a more formalized sharia governance framework; and the importance of independent reviews such as sharia audits.

The shariah audit in particular had disclosed more operational problems, some of which had resulted in financial loss. "These global developments are important to the Islamic finance industry in Africa and should be addressed as we develop our own Islamic banks," said Zuhid Abrahms, a director in financial services at PwC.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1642

Oman Exhibits Shariah Compliancy in Islamic Banking

Tuesday, May 24, 2011

Oman has exhibited excellence in Shariah compliance in Islamic banking as it recently was announced as the fastest growing Shariah compliant country.

Early in May 2011, Oman's ruler, Sultan Qaboos, issued a royal decree paving the way for the authorization of the country's first standalone Islamic bank and for other interested banks to set up dedicated Islamic banking windows.

The first application to launch an Islamic bank, Nizwa Bank, has already been submitted. However, the authorization process may take more than a year because the Central Bank of Oman has yet to develop and adopt a regulatory and supervisory regime for Islamic banking and the government has yet to introduce an enabling Islamic banking law. This will depend on the priority with which these government agencies implement the royal decree.

However the challenge is also for market education and awareness of Islamic banking and financial products and services of the regulators, the market players and the consumers in general. This paves the way for new opportunities for the Islamic financial advisory, product structuring, training and Shariah advisory services.

Hitherto, Omani banks have in general been very hostile and indifferent to Islamic banking, dismissing it as unworkable and even undesirable by some detractors. Still today, some Omani conventional bankers harbor the misconception that Islamic banking is uncompetitive and therefore more expensive. As such, it would not take off in the country. Such notions are based more on ignorance or an ideological denial that Islamic finance is here to stay, proven and is eminently efficacious.

Oman remains a very opaque society, in which disclosure and transparency even at the level of financial institutions let alone regulators and government ministries is very limited with a tendency to be sycophantic.

Banking sources, who wish to remain anonymous, stress that the decision to allow Islamic banking was partly due to growing new demand especially from young Omanis for Shariah-compliant financial products, something which is taken for granted by consumers in the remaining five Gulf Cooperation Council (GCC) countries Saudi Arabia, Kuwait, UAE, Bahrain and Qatar. Oman is the only GCC country which does not have an Islamic bank.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1643

Islamic Banking Handling Lucrative Amounts of \$20 Trillion

Wednesday, May 25, 2011

It has been reported that Islamic Banking sector is currently handling about US\$20 trillion with over 300 Islamic Banks in operations around the world.

Chairman of Islamic Bank Consultative Forum (IBCF) and Islami Bank Bangladesh Limited Abu Nasser M Abdus Zaher disclosed the figure while speaking at a press conference in the city

The press conference was organized to announce the schedule of a two-day international seminar on the Global Financial Crisis and the Strength of Islamic Banking System to begin in city President of Islamic Development Bank (IDB) Group Ahmad Mohammed Ali will attend the inaugural session of the seminar as the chief guest while Bangladesh Bank Governor Atiur Rahman will be the special guest.

The IBCF chair pointed out that at least 70 countries across the world had already introduced Islamic Banking Act to operate there Islamic banks properly.

"We hope that the national parliament of Bangladesh will also enact a complete Islamic Banking Act," he said."Some foreign banks in Bangladesh have already introduced Islamic Banking," Prof Zaher said adding that Islamic Banking is only natural financial system in the world.

The IBCF will organise the seminar at Hotel Sonargaon in the capital where bankers, economists and policy makers from around the world will attend.

Economists from home and abroad will present five papers on the issue at the seminar, he added. The central bank of Bangladesh earlier introduced a guideline for monitoring the activities of the banks operating under Islamic rules to ensure protection of the depositors' interest.

Currently, seven private commercial banks out of 30 are operating under the Islamic Shariah. The banks have their own Shariah Councils to dictate terms of banking under the Islamic rules and regulations.

The banks are Islami Bank Bangladesh Ltd., Al-Arafah Islami Bank Ltd., and Export Import Bank of Bangladesh Ltd. (EXIM), Social Islamic Bank Ltd., Shahjalal Islami Bank Ltd., First Security Islami Bank Ltd., ICB Islamic Bank Ltd. and Bank Alfalah Ltd.

Besides, a good number of local and foreign banks have introduced Islamic banking branches and windows, an executive director of the Bangladesh Bank (BB) told the FE. He said the central bank is now monitoring the overall activities of the Islamic banks through a separate division.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1645

Islamic finance a Tool for International Trade

Wednesday, May 25, 2011

Islamic Finance is a growing industry expected to reach over \$2 million dollars by 2012 and is rapidly growing as an internationally renowned financial tool in global worldwide trade.

Islamic products and services for the corporate segment have also evolved over time. Basic account services have given way to the need for more complex solutions. Historically, a small range of Islamic financing, investment, cash management and treasury solutions limited

the ability of a corporate treasury to mitigate foreign exchange, rate, funding, payment, commodity price and business protection risk in a Sharia-compliant manner.

Inevitably, this gave rise to a high degree of business risk. Over time, the Islamic finance industry has witnessed development of product suites to meet the corporate segments' financial needs. The evolution of Islamic finance can be broadly summarized with the development of basic personal and corporate account services, financing, and trade and investment products over the past two decades. More recently, there has been considerable product development in the investment banking and takaful (Islamic insurance) areas. Islamic finance offerings today are on a par with their conventional equivalents.

Today, the Islamic finance industry can cater to complex corporate requirements such as debt capital markets, equity and derivatives. These increasingly sophisticated products are normally structured using the Islamic financing building blocks: Murabaha, Mudaraba, Musharaka and Ijara.

Islamic finance has a full spectrum of well-developed financing solutions covering short-term simple finance through to medium and long-term complex, syndicated finance, project-based finance, export finance, and Islamic debt and equity capital markets.

The introduction in recent years of Islamic treasury hedging solutions has enabled institutions to hedge currency and exchange rate risks and to take advantage of yield enhancement through Islamic structured investment products.

The launch in March 2010 of the International Islamic Financial Market and the International Swaps and Derivatives Association Tahawwut (Hedging) Master Agreement was a major breakthrough in Islamic risk management, with the introduction of the first globally standardised framework document for privately negotiated Islamic hedging products.

Islamic products such as trade Murabaha (a sale with deferred payment) are widely used to finance purchase of goods and raw materials. Musharaka and commodity Murabaha (based on the sale of a specific commodity) are used to accommodate short-term working capital financing requirements to address liquidity mismatches between incoming funds (collections) and outgoing funds (payments) in a company's operation.

Islamic solutions for medium and long-term financing are becoming more mainstream in the industry, in the form of financing and sukuk (Islamic bonds).

Governments and companies are increasingly looking towards Islamic capital markets to meet their financing requirements. Figures vary for the total value of sukuk issuance in 2010; according to Dealogic, global sukuk issuance reached \$23.3 billion in 2010, an 11 per cent decline from 2009 but up 23 per cent from 2008.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1646

No major impact on Islamic finance due to Arab Spring

Thursday, May 26, 2011

The Islamic Finance industry does not suffer major setbacks due to the political turmoil the Middle East and North Africa (MENA) goes through, says John H. Vogel, senior corporate

and finance partner at the international law firm Patton Boggs LLP, based in Washington D. C. Speaking at the Luxembourg Financial Forum 2011, Vogel, an legal expert in Islamic finance, added that the industry has grown globally to \$1.2tr, and that growth in the GCC, Southeast Asia and Europe mitigates possible setbacks in the MENA region. "The range in Shari'ah finance is so broad regionally and in relation to products, that its annual growth rate of 15% is not in danger," Vogel concluded.

<http://www.ameinfo.com/266341.html>

Malaysia's Najib Says Islamic Finance Can Play Bigger World Role

Thursday, May 26, 2011

Malaysian Prime Minister Najib Razak said Islamic finance can play a greater role in the global financial system following Japan's record March earthquake and tsunami that caused as much as 25 trillion yen (\$305 billion) in estimated damages. He spoke in a speech today in Tokyo.

"As one of the fastest-growing industries, Islamic finance has a potential to play a more important role in the global financial system in this post-crisis era. Islamic finance has demonstrated its capacity to undertake project financing."

On Asian economic cooperation:

"It is vitally important for Asian countries to continue to cooperate through regional architecture and institutions to ensure together we emerge as an even stronger player in the world economy."

On the Association of Southeast Asian Nations' economic community:

"Malaysia is fully committed to the achievement of a viable and substantial Asian Economic Community by 2015. We're proud to be one of the driving forces behind this initiative and we will continue to look at broadening and deepening it well beyond 2015."

<http://www.bloomberg.com/news/2011-05-26/malaysia-s-najib-says-islamic-finance-can-play-bigger-world-role.html>

Malaysia Still Lacks Shariah Financial Planners

Saturday, May 28, 2011

Malaysia still lacks Shariah financial planners despite being a world leader in Islamic finance, capital market and the takaful industries, says Deputy Finance Minister Datuk Donald Lim Siang Chai.

"It is a largely underserved market today that represents an opportunity for Malaysia and requires specialised knowledge such as Shariah compliant wills and estate planning.

"To capture this opportunity, Shariah planning capability needs to be built. However, Malaysia currently lacks Shariah financial planners," he said after launching Malaysian Financial Planning Council (MFPC)'s Registered Financial Planner Capstone Programme here Saturday.

Lim said the financial services sector was the one of the fastest growing industry of the economy in the past decade and was identified as one of the National Key Economic Areas.

"The growth potential of this sector is seen in the Islamic financial services as well as in derivatives for risk management by local and regional players," he said.

Realizing the shortage of highly skilled workers in the sector, Lim said MFPC was assuming a proactive role in the development of the urgently needed pool of highly skilled, knowledgeable and professional Shariah and conventional financial planners.

"Distinctive human capital is required for the Islamic financial services industry to ensure Islamic financial planning professionals possess the right blends of technical knowledge and understanding of the Shariah," he added.

He also said there was a need to develop technical skills but emphasis must also be continuously given to the adoption of the highest level of professionalism and good market conduct.

"This is an area of particular importance. It involves educating consumers, having great reverence for and understanding of client needs, ensuring that clients are suitably advised in the financial planning process," he added.

<http://www.bernama.com.my/bernama/v5/newsindex.php?id=589839>

2. ISLAMIC BANKING & INSTITUTIONS

National Bank for Development in cooperation with Abu Dhabi Islamic Bank announces its Q1 2011 financial results

Monday, May 23, 2011

The National Bank for Development (NBD) in cooperation with Abu Dhabi Islamic Bank (ADIB) announced its financial results for Q1 of the current fiscal year. The financial indicators showed that the bank was not immune from the turmoil events that Egypt witnessed at the beginning of this year, which reflected negatively on the Egyptian banking sector as a whole.

The net Islamic finance portfolio amounted to EGP2, 618m by the end of March 2011, compared to EGP2, 302m by the end of December 2010, indicating a growth rate of 13.72%.

The net financing income reached EGP36.3m at the end of March 2011, with an increase of 62.78% compared to EGP22.3m at the end of March 2010.

Net fees and commissions recorded a 23.17% decline in March 2011 to reach EGP12, 6m, compared to EGP16.4m at the end of March 2010.

Impairment Loss for non-performing loans reached EGP2, 654m by the end of March 2011, with an increase of EGP118m, compared to the end of December 2010, resulting in a growth rate of 4.65% in the first three months of the current year as scheduled by the Central Bank of Egypt during the acquisition.

Total assets recorded a decline of 14.9% in the first three months of the current year, reaching EGP10, 214m at the end of last March.

Customer deposits amounted to EGP8, 794m at the end of March 2011, compared to EGP10, 869m at the end of fiscal year 2010, with a 19.09% decline.

The aforementioned indicators lead to a net loss of EGP169m in Q1 2011, including EGP125m resulting from non-performing loans prior to the acquisition. In spite of the prevailing conditions, NBD is committed to the set schedule for its development plans, in terms of launching new products, where the latest of which was the one-of-a-kind Shari'ah compliant "Tiered Monthly Savings Account" with monthly investment returns ranging from 5% to 6.6% depending on the client's tier.

The new savings account achieved great success and attracted a large number of clients. Nonetheless, NBD continued its renovation plan for its old branches and expanding its presence nationwide. Therefore, three new branches opened after renovations in Menya, Kasr El Nile in Cairo and a new branch in Mansoura to replace Abu El Matameer branch. NBD co-sponsored, the international Motor Show "Formula Al Ahram 2011" last January which achieved unprecedented success, reflecting NBD's leading position in the auto finance sector, where it secured a significant market share of 10% in less than two years.

Nevine Loutfy Acting Chairman, Managing Director and CEO of NBD in cooperation with ADIB, confirmed her confidence in the Egyptian economy and its capability to promote and achieve high growth rates over the medium and long term, surpassing the rates registered prior to the January 25 Revolution.

"NBD will continue launching its high-end banking products to meet the needs of clients and attract new consumer segments to support its growing position in the Egyptian banking market," concluded Nevine Loutfy.

<http://www.ameinfo.com/265967.html>

Kuwait Finance House: Full-fledged range of banking products

Monday, May 23, 2011

It has been reported that Kuwait Finance House "KFH" provides a comprehensive and integrated range of services, products, and offers to its customers that coincide with summer vacation. Holiday times mark the increase in demand for several services that meet the needs of travelers or holiday goers during this important time of the year.

KFH's response is based on the corporate strategy aimed at quickly responding to customer needs. Mr. Salem Abdul Wahab Al-Duwaisan, Deputy Director of Banking Cards Department, said that KFH offers its customers a variety of travel insurance programs to choose from.

The programs have been selected to suite their aspirations and needs throughout the year, especially during travel and vacations. He pointed out that these programs are in compliance with the provisions of Islamic Shari'ah and provide many unique service features at best competitive discounted prices. The programs provide insurance protection coverage against all the traveler's needs starting from arrival at the airport and during the period of travel, including medical care, protection against accidents, and personal responsibility up to USD one million.

Al-Duwaisan explained: Takaful insurance programs for travel purposes provided by KFH are featured for quick and easy issuance from all its branches. The process takes few minutes and come with easy claim filing process in case of accidents.

These programs provide free immediate assistance service during travel through customer services when contacted from anywhere around the world. Al-Duwaisan pointed out that the travel insurance programs meet all KFH clients' needs, whether for individual or family insurance, regardless of the number of family members.

To add, these programs are flexible, covering all periods starting from as low as 7 days. The programs also cover requests for extended protection for multiple trips for a year which is acceptable at all foreign embassies and conforms to the requirements of "Schengen" visa.

Al-Duwaisan pointed out that customers can take advantage of a variety of credit cards offered by KFH known for the highest levels of security and confidentiality as well as flexibility and acceptance at various points of sale around the world. At the same time KFH will continue throughout summer months to launch distinguished marketing campaigns for holders of all KFH credit cards types. These campaigns will offer KFH clients many exclusive benefits and privileges.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1638

Saudi Telecom's Indonesian subsidiary completes \$1.2bn financing

Tuesday, May 24, 2011

Axis, the Indonesian subsidiary of Saudi Telecom Company, announced on 23 May 2011, the signing of a \$1.2bn financing deal with a tenor of 7.5 years with local and international financial institutions.

The deal comprises three facilities: a \$450m Murabaha commercial facility, arranged by Deutsche Bank and HSBC and underwritten by Deutsche Bank and Saudi British Bank (SABB); a \$400m facility for equipment purchases from Huawei, underwritten by China Development Bank; and a \$350m facility for equipment purchases from Ericsson, arranged by HSBC and backed by EKN, the Swedish Export Credit Agency. All facilities have been structured in a sharia compliant manner.

This financing will help fund Axis' expansion and growth strategies for the next five years, especially expansion into mobile broadband and improved coverage nationwide, which in turn will result in higher financial returns for the Group. The Indonesian telecom sector has witnessed sound growth over the past few years owing to the rising mobile and internet penetration rates, which have had a positive impact on Axis, with the company passing 11 million subscribers and with service available in more than 400 cities across Indonesia.

Announcing the financing deal and its structure, Ameen Al Shiddi, Chief Financial Officer (CFO), Saudi Telecom Company, highlighted the significance of this deal saying, "This deal is one of the largest Islamic financing deals in Asia and one of the largest international financing deals in East Asia. This financing will help fund Axis' expansion and growth strategies for the next five years, which in turn will result in higher financial returns for the Group."

Al Shiddi added, "The size of the financing deal demonstrates the confidence that the financial markets have in the ability of Axis to achieve its business goals. The involvement of different financial institutions and vendors is a clear indication of the strong and long-term partnerships that exist between these organizations and STC."

Ghassan Hasbani, Chief Executive Officer, Saudi Telecom International Operations, said, "The Indonesian telecom sector has witnessed sound growth over the past few years owing to the rising mobile and internet penetration rates. The growth of our international operations has had a major impact on the Group's overall revenues. This financing deal will enable Axis to increase its broadband services offering to customers thereby tapping into the tremendous growth potential that exists in a highly competitive market."

The country has been experiencing strong economic growth with average annual GDP growth of 5% from 2000 until 2010. Citing improvements in the nation's economic performance and political stability, Standard & Poor's international rating agency recently upgraded Indonesia's BB rating to BB+ with a positive outlook. Indonesia's economy expanded 6.5% in the first quarter of 2011 from a year ago, and as per the recent estimates of the central bank, foreign direct investment is expected to surge 42% this year. The Government is also facilitating growth in key sectors by boosting foreign investment.

Erik Aas, Chief Executive Officer of Axis, added, "Indonesia's telecom industry is fast-growing and extremely dynamic with mobile broadband usage constantly on the rise. 50% of Indonesia's population is below 30 years old, and the whole population is adopting social networking applications on their mobile phones."

Axis CEO further added, "With this funding milestone in place, Axis is well set for its expansion into mobile broadband and improved coverage nationwide. This financing will fully support our expansion plans for the next few years, and we are well prepared to further grow our market share and revenues."

First launched its service in April 2008, the company provides 2G, 3G and BlackBerry services nationwide and internationally. Within only three years of its operations Axis has 80% population coverage with service available in more than 400 cities spreading from Sumatera, Java, Bali, Lombok, Kalimantan and Sulawesi. The company has passed 11 million subscribers who are served through more than 120,000 retail outlets, and doubled its revenues from 2009 to 2010. In recognition of its achievement for 2010 in terms of growth and expansion of its customer base, Axis received Best Growth Story of the Year from TMT Finance & Investment Middle East Awards. The company has also recently won two prestigious Selular Awards in 2011 in "The Best Marketing Program" and "The Best Mobile Data Service for GSM" categories.

<http://www.ameinfo.com/266069.html>

Standard Chartered facilitates convenient access to banking products and services at Hamriya Free Zone in Sharjah

Tuesday, May 24, 2011

Standard Chartered Bank, has inaugurated its new Electronic Banking Unit (EBU) at the Hamriya Free Zone in Sharjah. Standard Chartered is the first foreign bank to operate in the Free Zone, providing banking and finance services to Small and Medium Enterprises (SMEs) and retail clients.

The bank will leverage on its global network to facilitate the increased intra-regional activities of businesses operating in the free zone.

Standard Chartered Bank's new EBU is staffed by experienced Relationship Managers who specialize in financial services for SMEs and individuals.

The EBU is equipped with a Cheque and Cash Deposit Machine as well as ATMs and Internet banking facilities to ensure optimum convenience for customers in the area.

Chris de Bruin, Head of Consumer Banking, Standard Chartered UAE, said, "Standard Chartered adopts a customer-focus strategy which aims to provide financial products and services which cater to our customer's specific needs. The opening of the new EBU reaffirms our strong commitment to expand our presence in the UAE and enable business enterprises and individuals to take advantage of our superior banking products and services."

Dr. Rashid Al Leem, Director General of Hamriya Free Zone, said, "The opening of Standard Chartered Bank's new EBU will improve access to premium banking products and services, benefiting the thousands of corporate and individual clients in the Hamriya Free Zone. We commend Standard Chartered for taking the initiative to establish a presence in the rapidly-growing Free Zone and we are confident that the bank will enjoy the strong support of both corporate and individual clients."

Standard Chartered Bank's Hamriya EBU accepts applications for loans and facilities, Saadiq Islamic Banking services, and opening of an account as well as Fixed, Term and Call Deposits. It also accepts remittance instructions. The EBU is open from 8 am to 3:30 pm from Saturday to Wednesday and from 8 am to 2 pm on Thursday. The automated lobby is operational 24 hours daily.

<http://www.ameinfo.com/266058.html>

\$140m loan deal signed with IDB

Tuesday, May 24, 2011

The government has signed a \$140 million loan agreement with the Islamic Development Bank to finance the Padma Multipurpose Bridge project.

Finance minister A M a Muhith and IDB president Ahmad Mohammed Ali inked the deal on Tuesday morning.

The bridge, to be built at Mawa-Jajira, is the country's biggest-ever infrastructure project involving an estimated cost of \$2.9 billion being co-financed by the World Bank, the Asian Development Bank and Japan.

The government earlier signed agreements with the World Bank for \$1.2 billion loan, while with Japan for \$400 million. The deal with the Asian Development Bank will be signed on June 6.

Speaking on the occasion, the finance minister said the bridge would remove the 'isolation' of the southwest from the rest of the country.

"The economic progress of a country is substantially reduced when there is no good communication network," he said.

"We can maintain the time schedule in completing the mega project if we really want to," he added.

Muhith said it was unusual that a minister signed a loan agreement even after objection from the law ministry to it. "I hope the law ministry will be generous on this issue," he said.

The IDB president said he was confident that the project would be completed within the given time in a transparent manner and without causing any additional cost.

"Cooperation between the IDB and Bangladesh is growing in a number of areas," he said. Communications minister Syed Abul Hossain said the World Bank would provide \$300 million in addition to the \$1.2 billion.

"We'll build the bridge with utmost integrity and transparency," he assured.

"We'll float a tender for the main package, river training and Mawa approach road soon," the communications minister said adding, "The submission date for other tenders is June 30."

Prime minister's Economic affairs adviser Moshiur Rahman said the people of southwest would be immensely benefited from the Padma Bridge.

"This is a good example how political leadership, civil servants and development partners can work together," he said.

Moshiur was also appointed as integrity adviser of the Padma bridge project to ensure transparency in its work.

The government attaches top priority to building the Padma Bridge. It has completed the designs of the main bridge, river management, and approach roads on its both sides.

The length of the main bridge is 6.15 kilometers, while 14 kilometers of the river will come under management and the length of approach road is 12 kilometers.

After the construction of the bridge, the GDP growth will increase by 1.2 percent, while poverty will be reduced by 0.84 percent year in the country.

WATER SUPPLY PROJECT

Another loan agreement, involving \$14.84 million, was also signed by the finance minister and the IDB president as the bank is going to finance a water supply and sanitation project in the country's cyclone-prone coastal areas.

<http://bdnews24.com/details.php?id=196560&cid=4>

Gatehouse Bank's UK properties returns beat forecast

Wednesday, May 25, 2011

London-based wholesale Shariah compliant bank, Gatehouse Bank plc, a subsidiary of The Securities House the Securities House Group (Kuwait), has delivered an additional windfall for its investors, after successfully completing The Watkinson's portfolio in the United Kingdom (UK) for £30 million, in April 2010.

The two student accommodation properties located in Loughborough and Liverpool, UK have achieved the maximum 5 percent rental increase against a forecast 3.5 percent increase, at the recent annual rent review. Kuwaiti investors in the transaction have benefitted from the outperformance with a higher dividend of 9.7 percent cash yield return.

Richard Thomas, Chief Executive at Gatehouse Bank stated, "Gatehouse Bank is pleased to pass on the achievements from the portfolio's performance to our investors. Recognizing the importance of the student accommodation sector as an excellent asset class for investment, Gatehouse has carved out a niche for itself in the UK real estate investment sector.

He added, "With more than £200million in Real Estate acquisitions in the last 18months, Gatehouse continues to build a formidable track record. With a base in London, the Gatehouse team offers unrivalled expertise and knowledge of UK market fundamentals to enrich the investment offering.

Philip Churchill, Executive Vice President, Head of Real Estate at Gatehouse Bank commented, "Purpose-built student accommodation is an established real estate sector worth £6.5 billion in the UK alone, with universities in the UK typically witnessing student numbers forecast to rise at 10 times the rate of new accommodation that is being completed."

According to analysis by global real estate agents Knight Frank, student applications for university rose by 34 percent in the last 5 years in the UK, with student accommodation in short supply and under pressure to meet growth. Changes to government policy for higher education will increasingly drive universities to view options that will maximize revenues through disposal of their property to the private sector at improved values.

Churchill continued, "As a high performing asset class that is created from the imbalance between supply and demand in the market, the student accommodation sector presents a strong investment option for GCC-based investors looking to tap into the UK real estate market. A viable alternative to the office sector, it is a high performing asset class that has shown consistent rental growth and increasing capital values." According to research the UK remains a top destination for a university education, with international applications by the next generation of global wealth leaders dominated by European, Far Eastern and Middle Eastern students.

"Investment in student accommodations should not be missed by GCC investors. It is an asset of choice that is well understood by Shariah investors and they should move quickly based on the demonstrated returns delivered from such investments, concluded Churchill.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1644

KFH Strategizes Under Five-year Transformation Plan

Thursday, May 26, 2011

Kuwait Finance House (Malaysia) Bhd (KFH), which is revamping its business to include retail, has identified several areas for improvement. Under the five-year transformation plan, the strategy is to grow “a bank within a bank,” that is, to have income streams from both wholesale and retail banking.

Jamelah Jamaluddin ‘We have been working diligently behind the scene. Its universal banking license allows KFH Malaysia to offer the full suite of Islamic banking products and services. However, for all that to happen, certain processes need to be put in place or refined.

“One of the key ingredients of success for the bank is the ability to create a conducive environment for all employees to achieve their maximum potential. We have been working diligently behind the scene to strengthen our organizational structure,” CEO Jamelah Jamaluddin said.

Under the previous organizational structure, she had found: Too much direct reporting, a large span of control which affected delivery and turnaround time; lack of strategic direction; and accountabilities not proportionately allocated to the heads of divisions.

A more refined organizational structure was introduced, effective January this year. Several improvements were targeted to: Optimise performance (cost control management) and streamline business processes; Align the business and operating models; manage the quality of assets and credit better; Have more effective customers' interface.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1647

Standard Chartered Affiliate, Foreign Banks Chase Muamalat Stake

Wednesday, May 25, 2011

A Standard Chartered Bank affiliate, Qatar Islamic Bank and Oversea-Chinese Banking Corp. are among the bidders for a controlling stake in Bank Muamalat Indonesia, according to people with knowledge of the matter.

Shareholders of privately held Bank Muamalat, Indonesia’s oldest Islamic bank, plan to sell more than 50 percent of the lender in a deal that may value it at as much as \$600 million, one of the sources said, declining to be identified because the talks were private.

Second-round bids are due in mid-June, the sources said. Bank Permata, an Indonesian lender 45 percent owned by Standard Chartered, is bidding for the stake, one source said.

“It makes sense to address this segment in a big and proper way,” Sanjay Jain, a Singapore-based analyst at Credit Suisse Group, said of Islamic banking. “If you’re a player in Southeast Asia, you’ve got to be in this segment.”

Rising demand for Islamic banking services has helped drive the Jakarta Finance Index 52 percent higher in the past 12 months. Islamic banking assets in Indonesia grew to Rp 100

trillion (\$11.6 billion) last year from Rp 67 trillion at the end of 2009, Mulya Siregar, the head of Shariah banking at Bank Indonesia, said in January.

Investors in Bank Muamalat may sell as much as 80 percent of the lender, according to one source.

Bank Muamalat is 32.82 percent controlled by the Islamic Development Bank, 24.94 percent by Boubyan Bank Kuwait and 17.95 percent by Atwil Holdings Limited, according to data posted on its Web site.

Mulya said the central bank had not received any formal announcement of bids for Bank Muamalat. "We have heard it from local media reports," he told the Jakarta Globe.

Central bank regulations state that any acquisition by overseas banks of local banks should be reported to and approved by Bank Indonesia.

Parwati Surjandjaja, president director of OCBC NISP Bank, declined to comment on the matter. "We are not at liberty to comment on this topic," she said.

Leila Djafaar, head of corporate affairs at Permata Bank, said: "We do not comment on market speculation. "As a public company committed to high corporate governance standards, Permata Bank will release further information at the appropriate time."

Bank Muamalat has almost 400 offices in Indonesia and one branch in Malaysia.

The lender plans to quadruple its holdings of Shariah-compliant debt this year, chief financial officer Hendiarto said in February. The company had about Rp 20.4 trillion of assets as of December. It has targeted asset growth of 50 percent this year, according to Hendiarto.

Hendiarto declined to comment on bidders for the stake. Qatar Islamic Bank declined to comment to Bloomberg.

Indonesia is the Asia-Pacific region's third-most populous country with about 237 million people, 85 percent of whom are Muslim. Demand for banking services that comply with Shariah law is increasing by about 15 percent a year and Islamic assets may reach \$1.6 trillion by 2012, according to the Kuala Lumpur-based Islamic Financial Services Board.

<http://www.thejakartaglobe.com/business/standard-chartered-affiliate-foreign-banks-chase-muamalat-stake/443209>

Barwa Bank in Talks after QCB Move

Thursday, May 26, 2011

Barwa Bank is in talks with local conventional banks following the Qatar Central Bank (QCB) decision to tighten Islamic finance regulations.

"We have approached some of the conventional banks though (we) are talking about much more than buying their assets. It is more about building our business than an asset purchase opportunity," CEO Steve Troop told Gulf Times.

"We are in dialogue with a number of parties. It is fair to say that dialogue continues - constructive and positive, but we are some way away from an agreement on a particular transaction." Barwa Bank is Qatar's newest Shariah-compliant banking service provider. Troop

said the QCB decision clearly provided further growth opportunities for Islamic banks in the country, more specifically in terms of assets, liabilities, customers and indeed physical premises.

“The development is overwhelmingly positive and represents a fundamental change in the landscape,” he said. “Effectively, we find ourselves with reduced competition in a market place that’s growing quickly. Based on the aggregate bank growth rates for Qatar, we have seen the Islamic portion growing faster than the conventional side.

“But as I said earlier, we need a differentiated position to make the best use of the growth opportunities. We are in a highly competitive market where we need a focused approach to succeed.” Troop said Barwa Bank had already started procedures to list on the Qatar Exchange, which are expected to be completed this year.

“It is a not a fund raiser. That is because right now we don’t require funds. In the medium term, as we grow, capital will become part of the growth equation,” he said. “What we are planning to do is a listing by way of introduction, a stock market debut for Barwa Bank. Our listing adviser is QInvest.”

Barwa Bank, he said, was clearly focused on providing a “different kind of customer experience” where the bank got positioned around customers.

“We have a clear strategy - we want to deliver something different. We are in a highly competitive market where we need a focused approach to succeed.” Barwa Bank’s strategy is to grow its customer base and become a leading Shariah-compliant financial group in the region. In line with this, the bank acquired First Finance and First Leasing companies following its 2009 acquisition of The First Investor Company. These will all be consolidated under the Barwa Bank Group.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1652

Dubai's Noor Islamic Bank denies merger plans

Saturday, May 28, 2011

Dubai's Noor Islamic Bank has no plans to merge with any other financial institution, the chairman of the emirate's Supreme Fiscal Committee said on Saturday.

"There were never any plans to merge Noor Islamic Bank with, or have it absorbed by, any other financial institution. These were nothing but unfounded market rumors," Sheikh Ahmed bin Saeed al-Maktoum, who is also chairman of Noor Islamic Bank, said in a statement. Noor Islamic Bank had been touted as a possible candidate to absorb troubled Islamic lender Dubai Bank, which was recently taken over by the Gulf emirate's government.

Noor's chief executive Hussain al-Qemzi had previously denied that the lender was considering a merger but market speculation persisted after the Dubai government said it would consider merging Dubai Bank with another state-owned financial institution.

Dubai already has stakes in six commercial banks in the UAE, including Emirates NBD ENBD.DU, Dubai's largest by market capitalisation, Dubai Islamic Bank DISB.DU and Noor Islamic Bank.

The Supreme Fiscal Committee oversees Dubai's fiscal policies.

Bank Muamalat targets 15%-20% profit rise

Saturday, May 28, 2011

Bank Muamalat Malaysia Bhd is aiming for an increase in profit of 15%-20% this year following an encouraging performance to date by the bank.

Chief executive officer Datuk Mohd Redza Shah Abdul Wahid said for the 15-month period ended March 31, 2010, the bank had posted a profit before tax of RM143mil. "For this year, for the nine-month period alone, the bank has recorded a profit before tax of RM173mil," he added.

He said the market focus of the bank was still on retail customers, in particular, personal financing, housing and car loans, although the bank introduced new products from time to time. "The retail business still records the best growth. Our performance is good with the ability to generate even higher profits. Even with more Islamic banks, the market is still growing.

"Our non-performing loans are at a lower rate, that is 2%," he told Bernama and RTM in an interview on Thursday night.

He said Bank Muamalat's products had succeeded in attracting a lot of non-Malay customers, particularly among corporate clients, who felt Islamic financing was more competitive and compatible to them.

Bank Muamalat now has 55 branches throughout the country. They are concentrated in Kuala Lumpur and Selangor but the other states have at least two each. "The latest and 56th branch will be established in Jertih, Terengganu, within two months," Mohd Redza said.

On the proposal to merge Bank Muamalat and Bank Islam Malaysia Bhd (BIMB), he said it was good in an effort to create a mega Islamic bank, but hard to undertake in the near term.

"There was a proposal from shareholders of both banks but, for the moment, there are no plans to proceed with the merger to create a bigger and more competitive entity," he said.

"Bank Negara may want to see a large Islamic bank to issue a mega license in the near future. To secure the mega license, the Islamic Bank would need a paid-up capital of US\$1bil.

<http://biz.thestar.com.my/news/story.asp?file=/2011/5/28/business/8775781&sec=business>

3. SUKUK (ISLAMIC BONDS)

April proves lowest issuance of Sukuk year to date, shows Kuwait Finance House Research

Sunday, May 22, 2011

Kuwait Finance House Research Limited (KFHR) prepared a report on the Islamic Sukuk market. The report notes that the Sukuk market in month of April has been the lowest year to date. The following are the details of the report.

Sukuk issuance during the month of April declined to the lowest level since July 2010 with \$4,862.6bn coming from the primary market. The month was dominated by sovereign issuers, particularly in Malaysia where the central bank contributed \$3bn of the total sukuk for the month. The Middle East market remains relatively dry this year as conditions remain tough

given the continued spread of political uprisings. Hence, there have only been four corporate issues from the region so far this year.

Among the sukuk placed was the first sukuk out of Jordan by Al-Rajhi Cement, a company registered in the Dubai International Financial Centre which invests in the global cement industry. The inaugural sukuk was structured as an Ijarah transaction with a maturity of seven years. The sukuk was subscribed for by a number of leading Islamic and commercial banks including Capital Bank, Cairo Amman Bank, Islamic International Arab Bank, Union Bank, Jordan Kuwait Bank, Bank of Jordan, and Arab Islamic Bank.

The Central Bank of Bahrain issued a \$530.4m Ijarah sukuk during the month with tenure of five years. The sukuk marks the second largest issuance by the central bank and the largest issue from the country since June 2009.

Sukuk issuances for the month were led by sovereign issuers who accounted for 80.4% of the value, followed with corporate with 15.8% and government related entities with 3.8%. So far this year, sovereigns have made up for 88% of all issuance while corporate constitute 8.5%.

On the currency front, sukuk issued during March 2011 were again mostly denominated in Malaysian Ringgit, accounting for 78.1% of issuance, while the rest of the sukuk were issued in Bahraini Dinar (12.1%), Indonesian Rupiah (7.4%) and Jordanian Dinar (2.4%). The largest for the month was the Bank Negara issuance at MYR2bn (\$661.64m).

A total of 53 sukuk were issued in April vs. 44 sukuk in March and 40 in February. Among these, 29 were issued by the corporate sector which totaled \$772.8m (Mar: \$276.4m, 180%) while there were 14 sovereign issuances which totaled \$3.93bn (Mar: \$3.70bn, 6.2%).

The only corporate issuance outside of Malaysia during the month of April was the Jordanian sukuk by Al-Rajhi Cement.

<http://www.ameinfo.com/265798.html>

Experts highlight sukuk as important Islamic finance tool

Sunday, May 22, 2011

Minister of Finance Mohammad Abu Hammour on Saturday called for intensifying efforts among Islamic states to achieve high-level cooperation and set up joint plans to address current economic challenges.

Deputizing for His Majesty King Abdullah, Abu Hammour inaugurated the International Conference on Investment in Islamic States which opened yesterday in Amman.

He stressed that Islamic states should set up joint economic strategies and work on implementing all the agreements of the Organization of the Islamic Conference (OIC) related to boosting economic and trade ties among member states.

In addition, Abu Hammour emphasized that there is an urgent need to increase investment and trade exchange among members of the OIC, saying that Islamic states should work on drafting the necessary legislations and offer all forms of incentives to investors wishing to invest in these states.

Islamic Chamber of Commerce and Industry (ICCI) President Saleh Kamel said unemployment is the basic drive behind the demonstrations, revolutions and protests in several Arab and Islamic countries, indicating that it is the responsibility of the business community to create job opportunities and increase investments.

During the opening session of the conference, which was organized by the Jordan Chamber of Commerce and the ICCI, Khawlah Nobani, an expert in Islamic finance, said Islamic sukuk can be used to finance major projects, and indicated that Jordan has “pioneering plans” to issue Islamic sukuk for attracting financing to implement the Red Sea-Dead Sea Water Conveyance Project, the national railway network project and renewable energy schemes.

Nobani pointed out that the value of Islamic sukuk issued during the first quarter of 2011 stood at \$26 billion in the international market, noting that around 50 per cent of these sukuk were issued in Malaysia with a value of \$13 billion.

Muhsen Abu Awad, head of the mega-companies department at the Arab Islamic Bank, said Islamic sukuk can contribute to stimulating economy and can help governments and companies obtain finance for their enterprises.

He added that after the international financial crisis, Islamic sukuk emerged as one of the most important investment tools and those experts in Islamic economy estimate the value of Islamic sukuk to reach \$3 trillion by 2015.

Abu Awad also called for classifying Islamic sukuk by internationally accredited agencies to reduce risks and offer an Islamic product with the least risk rates.

<http://www.jordantimes.com/?news=37706>

Citi to offer custody services to Nakheel sukuk investors

Monday, May 23, 2011

Citi is offering special custody services to clients who are scheduled to receive sukuks as part of Nakheel’s creditor settlement programme. “We are keen to hear from all Nakheel creditors who require a custody services for the sukuks and we currently offer special assistance with custody account opening, documentation as well as competitive pricing,” said Richard Street, Head of Securities and Fund Services, Middle East.

“Investors will benefit from the local expertise and the globally-consistent services of Citi’s dedicated DCC experts; a dedicated team of specialists has been allocated to guide customers through the entire process.”

Citi UAE has been offering Direct Custody and Clearing (DCC) services in all three UAE exchanges, Abu Dhabi Securities Exchange, Dubai Financial Markets and NASDAQ Dubai (where the Nakheel Sukuk will be listed) since 2008.

Direct Custody and Clearing plays an integral role in the capital markets by providing the clearing and settlement services required for broker dealers and global custodians to support trading and investing activities around the world.

Kazakhstan considering \$500mn sukuk issue

Monday, May 23, 2011

Kazakhstan took a step closer to launching a \$500mn-plus debut sovereign sukuk issue after the lower house of parliament passed amendments to the country's Islamic finance laws, the finance minister has said. Bolat Zhamishev told Reuters the government would consider the size and timing of the issue after the Senate clears the regulation on Islamic financing, a process that he expects to be complete within a month.

"We are looking to issue Islamic bonds in order to fix a benchmark, but the prospects for this will depend on the market," Zhamishev said on the sidelines of an economic forum. "We are not going to rush."

Asked about the possible size of the issue, he said: "In order to fix a benchmark, below \$500mn is not usually recommended."

Oil-rich Kazakhstan, where 70% of the 16.4mn population are Muslim, is being touted as a potential new market for Islamic finance. Gross domestic product has grown by an average 8% a year in the last decade to reach almost \$150bn.

Abu Dhabi-based Al Hilal Bank opened the first Islamic bank in Kazakhstan last year, with plans to invest as much as \$1bn over the next two years. Malaysian trustee firm Amanah Raya Bhd is expected to open the second this year.

"In the lower house of parliament, changes to the law on Islamic financing were passed in two readings," Zhamishev said. "Now it will go to the Senate, and I think that within one month the legislation will be passed.

"The legal basis will then be in place for the state to issue Islamic bonds."

The modern, \$1tn global Islamic finance sector had its origins three decades ago, but its guiding principles—such as a prohibition on paying interest—would have been familiar to Muslim traders on the mediaeval Silk Road through Central Asia.

Kazakhstan first mooted the idea of issuing sovereign sukuk during the global financial crisis, especially as Western credit dried up. New money from the Middle East and Asia ensured that 2008 and 2009 were record years for foreign direct investment.

Zhamishev said the government would not rush to issue sukuk and would wait to ensure the timing was right. Though some private issuers, impatient after the postponement of the previous plan to issue sovereign debt, might push to tap the market first, Zhamishev said the state should set the benchmark for sukuk issuance in Kazakhstan.

http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=436199&version=1&template_id=48&parent_id=28

IDB plans to boost \$3.5bn sukuk program

Wednesday, May 25, 2011

JEDDAH: The Islamic Development Bank (IDB) plans to increase its \$3.5 billion sukuk program to as much as \$8 billion and issue a sukuk bond worth \$600 million by year-end, its Vice President Abdul Aziz Al-Hinai said.

He said \$2.9 billion of the current program had been issued and the rest would be out by Dec. 31, adding that the IDB was studying how large the program would become.

“We are working on extending the program to over \$5 billion ... the total size could be 5, 6 or 8 billion dollars,” he said.

IDB issued a \$750 million five-year sukuk, or Islamic bond, at par with a 2.35 percent semi-annual profit rate.

“We feel the appetite was good. We were offered more than we wanted and we took what we wanted,” Hinai said.

Since the program began in 2005, IDB has made four private placement sukuks and issued four public sukuks all of which were ijara-based.

Ijara sukuk involves a transfer of tangible assets — most commonly real estate — from one party to the next, as Islamic law does not allow for debt or interest payments.

“We will not be limiting our future sukuk to the current structure and we will be developing it,” he said.

“There could be in the future mudaraba sukuk or other forms.”

Under mudaraba, a bank provides capital for a project while an entrepreneur manages the deal. The profits are split according to a pre-determined ratio and the bank bears any monetary losses that arise.

“I believe 2011 will witness another flourishing year for sukuk issuance. There was slowness in 2009 and 2010 due to the financial crisis,” he said.

“By the end of this year we will have more sukuk issued than 2009 and 2010 combined, and that is because sukuk has started building confidence with investors,” Hinai added.

<http://arabnews.com/economy/article430170.ece>

Experts Highlight Sukuk as Important Islamic Finance

Thursday, May 26, 2011

Minister of Finance Mohammad Abu Hammour called for intensifying efforts among Islamic states to achieve high-level cooperation and set up joint plans to address current economic challenges.

Deputizing for His Majesty King Abdullah, Abu Hammour inaugurated the International Conference on Investment in Islamic States which opened yesterday in Amman.

He stressed that Islamic states should set up joint economic strategies and work on implementing all the agreements of the Organization of the Islamic Conference (OIC) related to boosting economic and trade ties among member states.

In addition, Abu Hamour emphasized that there is an urgent need to increase investment and trade exchange among members of the OIC, saying that Islamic states should work on drafting the necessary legislations and offer all forms of incentives to investors wishing to invest in these states.

Islamic Chamber of Commerce and Industry (ICCI) President Saleh Kamel said unemployment is the basic drive behind the demonstrations, revolutions and protests in several Arab and Islamic countries, indicating that it is the responsibility of the business community to create job opportunities and increase investments.

During the opening session of the conference, which was organized by the Jordan Chamber of Commerce and the ICCI, Khawlah Nobani, an expert in Islamic finance, said Islamic sukuk can be used to finance major projects, and indicated that Jordan has "pioneering plans" to issue Islamic sukuk for attracting financing to implement the Red Sea-Dead Sea Water Conveyance Project, the national railway network project and renewable energy schemes.

Nobani pointed out that the value of Islamic sukuk issued during the first quarter of 2011 stood at \$26 billion in the international market, noting that around 50 per cent of these sukuk were issued in Malaysia with a value of \$13 billion.

Muhsen Abu Awad, head of the mega-companies department at the Arab Islamic Bank, said Islamic sukuk can contribute to stimulating economy and can help governments and companies obtain finance for their enterprises.

He added that after the international financial crisis, Islamic sukuk emerged as one of the most important investment tools and those experts in Islamic economy estimate the value of Islamic sukuk to reach \$3 trillion by 2015.

Abu Awad also called for classifying Islamic sukuk by internationally accredited agencies to reduce risks and offer an Islamic product with the least risk rates.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1649

King and Spalding advises Islamic Development Bank on \$750m sukuk

Thursday, May 26, 2011

King and Spalding advised the Islamic Development Bank (IDB) on a benchmark \$750m sukuk that has been dual-listed on the London Stock Exchange and Bursa Malaysia. The transaction closed.

"This transaction is important because it sets a benchmark yield for IDB risk," said Rizwan H. Kanji, a debt capital markets partner with the Middle East and Islamic finance practice of King & Spalding in Dubai, United Arab Emirates. "It also is expected to help re-energize the sukuk market after a period of relatively low issuance of sukuk."

Kanji advised the IDB on the transaction, with assistance from Dubai-based senior lawyer Lidia Kamleh.

The joint lead managers on the transaction were BNP Paribas, Deutsche Bank A.G. (London branch), HSBC and Standard Chartered Bank.

The Islamic Development Bank, a multilateral development financing institution that provides technical assistance and funding to the Islamic world, was founded by the Finance Ministers of the Organization of the Islamic Conference in December 1973.

The IDB finances private and public projects among its 56 member countries, including investment in economic and social infrastructure projects, the provision of technical assistance and promotion of foreign trade, especially capital goods.

<http://www.ameinfo.com/266294.html>

4. ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS

HSBC Amanah fund chosen for UK national pension scheme

Sunday, May 22, 2011

HSBC Life Amanah Pension Fund has been selected by NEST Corporation for its Sharia Fund. NEST is a simple and low-cost UK pension scheme designed to give its members an easy way of building up their retirement pot, and making it easy for employers to meet their new workplace pension duties that will start to be introduced from 2012.

NEST members will be invested in one of over 40 target dated funds¹ (NEST Retirement Date Funds), as well as having the opportunity to choose from a range of other fund choices, including the NEST Sharia Fund.

In the UK, more than a quarter of its 62 million people are at, or nearing retirement age, of 65 for men and 60 for women. Among the 29 million working people, about 10 million are not making contributions to any pension plan². And the number of Muslims in the UK is projected to increase from 2.9 million in 2010, or nearly 5% of the population, to 5.6 million in 2030, or 8% of the population³.

Stuart White, HSBC Global Asset Management (UK) Institutional Director, said, "This new pension scheme by NEST is a landmark initiative that can be expected to transform UK's pension industry. We are excited to be part of the scheme, which is widely expected to become one of the largest defined contribution⁴ pension plans in Europe."

Amjid Ali, senior manager with HSBC Amanah UK, said, "This is a great example of how HSBC's expertise in both fund management and Islamic banking can come together to help those who want to make a choice to save through a Sharia-compliant fund."

HSBC Life Amanah Pension fund is a pension fund that allows investors to invest in equities in a Sharia-compliant manner. The fund tracks the Dow Jones Islamic Titans 100 Index, which consists of Sharia-compliant companies such as Exxon Mobil and Microsoft. These stocks have been endorsed by the Dow Jones Sharia Supervisory Committee, an independent board of Islamic scholars who advise Dow Jones on the compliance and eligibility of the index's components. The fund, which started in 2004, has returned 63.5% since launch⁵.

HSBC Amanah

HSBC Amanah is the global Islamic financial services business of the HSBC Group. It was established in 1998 with the aim of making HSBC the leading provider of Islamic financial

services worldwide. With established and successful operations in the Middle East, Asia-Pacific and Europe, HSBC Amanah represents the largest and most comprehensive Islamic proposition of any international bank.

With the global resources of the HSBC Group at its disposal, HSBC Amanah is uniquely positioned to understand, structure, and distribute financial services that are compatible with the requirements of Sharia (Islamic Law).

HSBC Global Asset Management

HSBC Global Asset Management manages assets totaling US\$443.5 billion, and is a leader in emerging markets, with \$145 billion invested in this asset class (as defined by assets invested in regions outside of North America, Western Europe, Japan and Australia). Through its network of offices in approximately 30 countries globally, HSBC Global Asset Management has a worldwide client base of institutions, corporate, private clients and intermediaries, invested in both segregated accounts and pooled funds.

HSBC Life Amanah Pension fund

The HSBC Life Amanah Pension Fund invests directly into the HSBC Amanah Global Equity Index Fund, which adopts a passive equity investment strategy that mirrors and tracks the Dow Jones Islamic Titans 100 Index.

Fund details (as at end March 2011)	
Risk Rating	Medium
Launch Date	1 April 2004
Fund Size	£ 27 million

HSBC Life UK Amanah Pension Fund performance (as at end March 2011)

	12 Months	2 Years (Annualised)	3 years (Annualised)	5 years (Annualised)	Launch (April 2004)
Fund	4.88	17.06	9.18	5.77	63.46
Benchmark*	5.11	17.37	9.41	6.03	66.14

*Benchmark is the Dow Jones Islamic Titans 100 Index (Total Return).

Performance is gross of fees

Source - HSBC Global Asset Management (UK) Limited

The value of investments can fall as well as rise. Past performance is not a guide to future performance.

The value of investments can fall as well as rise. Past performance is not a guide to future performance.

<http://www.zawya.com/story.cfm/sidZAWYA20110523081734>

BLME Launches UK Shariah Compliant Industrial Investment

Thursday, May 26, 2011

Bank of London and The Middle East (BLME), the London based wholesale Shari'ah compliant bank whose main shareholders are Boubyan Bank, National Bank of Kuwait, announced the launch of its Light Industrial Building Fund (LIBF), a Shari'ah compliant UK real estate fund which invests in sustainable property assets. About BLME

Bank of London and The Middle East plc ("BLME") is an independent UK wholesale Shari'ah compliant bank based in London. BLME received FSA authorization in July 2007 and is the largest of its peers in Europe. It is led by a management team that brings together a combination of experienced international bankers and leading experts in Islamic finance.

The five core areas that set the foundations for BLME's competitive offering are Private Banking, Asset Management, Corporate Advisory, Corporate Banking and Markets Division.

BLME is dedicated to offering innovative Islamic investment and financing products to businesses and high net worth individuals in the European, US, Asian and MENA regions. To ensure that BLME's services and operations are wholly Shari'ah compliant, the Bank has a dedicated Shari'ah Supervisory Board ("SSB"). The SSB's role is to review contracts and agreements relating to all transactions ensuring that they are consistent with the principles of Islamic jurisprudence.

Islamic Finance upholds the principles of fairness, integrity and transparency. The principle of fairness is reflected in the risk and reward-sharing element that forms the foundation of every Islamic financial transaction.

Islamic finance aims to create business activities that generate a fair and equitable profit from transactions that are backed by real assets. This method of financing avoids speculation, short selling and excessive credit creation whilst encouraging sound risk management procedures.

Islamic banking has a robust system of risk management and self- regulation to ensure that each transaction is transparent and that the appropriate due diligence and higher standards of disclosure required are observed. To ensure compliance with these requirements each transaction and agreement is reviewed and approved by a Shariah Supervisory Board. This Shari'ah specific regulation and governance is in addition to the conventional regulation that applies to all UK based financial institutions.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1650

IDB Funds Medical Services in Pakistan

Thursday, May 26, 2011

It has been reported that the Islamic Development Bank has helped to fund medical services in Pakistan and have been active in producing key investments and funds in an ethical Shariah compliant nature.

Federal Health Minister Dr Abdul Malik Kasi said their intention was to renovate and upgrade the federally administered National Institute of Cardio-Vascular Diseases with state-of-the-art equipment.

He believed that the upgrading and renovation was very much needed at the country's premier cardiac health centre. "If this project goes through, we will have fulfilled the need for upgrading of the NICVD for the next decade."

“On directives on the Chief Executive, we are improving, the performance of all the health outlets,” he said before unveiling the foundation stone of the extension work initiated on Thursday at the National Institute of Cardiovascular Diseases (NICVD) after 30 years.

According to the minister, the NICVD has been contributing towards the training of the specialists in cardiology, besides offering quality cardiac care to the patients rushing there from all over the country.

Referring to the ever-increasing incidence of heart diseases, Dr Kasi conceded that the ever-abounding cardiac cases eventuated in an epidemic condition, leaving the present cardiac care facilities both in public and private sectors unable to satisfy the remedy seekers.

Deeming healthcare a daunting task for the government, the minister said that the health care managers must prepare plans with definite goals avoiding complacency, which could sabotage the whole process. Dr Kasi, however, claimed that both the federal government and the Ministry of Health remained committed to providing relief to the common man. “It is not possible for the government to do the job single-handedly without the help of the private sector and the private donors, foundations, and NGOs.”

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1651

5. ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

Pakistan Hosts World’s Largest Conference on Islamic Microfinance

Monday, May 23, 2011

AlHuda Centre of Islamic Banking & Economics (CIBE) and AKHUWAT are organizing International Conference on Islamic Microfinance on June 13, 2011 at Faisal Auditorium Islamabad wherein delegates from 12 countries will grace the occasion and 800 participants will attend this mega event.

The aim of this conference is to choke out the plan of poverty alleviation on national and international scale to Essen poverty, social welfare and to tackle other problems pertaining to it.

Delegates from Malaysia, Yemen, Afghanistan, Indonesia, Mauritius and other countries are participating in this event who will shed light on various topics of Islamic microfinance i.e. methodology of poverty reduction, Zakat, Shariah implications, Dard-e-Hasna, Waqf models, latest trends of Islamic microfinance, technological application of poverty alleviation, usage of Islamic microfinance in non Muslim societies and many other issues that will continue for three days.

It is noticeable that poverty has risen as one of the most crucial problems of the decade hitching fastest development of the countries on national and international level. It is the root cause of many social crimes like terrorism and social instability and poor’s are confronting problems as education, health, wages, food and social conflicts. Islam is the only religion that takes the responsibility of poverty alleviation as one of its main obligations. Zakat, Usher, Waqf,

Fitrana, Qard-e-Hasna, Murabaha, Ijarah, Musharaka etc have the qualities to sustain society from the plague of poverty.

This is the major reason of worldwide recognition of Islamic microfinance as a sustainable source of lessening poverty from the society. It is a pleasurable factor that more than 20 lakh beneficiaries are taking the edge of Islamic microfinance worldwide. A mutual note will be issued at the end of the conference that will be applied to separate Islamic microfinance all over the world.

AlHuda Centre of Islamic Banking and Economics is organization working on Research, Advisory, Training and Publication on Islamic Banking and finance.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1640

Islamic Foundation UK bags IDB Prize in Islamic Economics for 2011

Thursday, May 26, 2011

The prestigious Islamic Development Bank (IDB) award in Islamic Economics for the year 2011 goes to the Islamic Foundation UK for its substantial contribution to the promotion of Islamic economics. The decision is taken by a high level selection panel that met in Jeddah May 15.

"The IDB Prize Selection Committee unanimously decides to award the IDB Prize in Islamic Economics for the year 2011 to The Islamic Foundation, U.K.", said a statement issued by the selection panel on May 18th 2011.

The IDB Award Selection panel, which is chaired by Dr. Hatem Karanshawy, the Dean of the Faculty of Islamic Studies at Qatar Foundation and composed of eminent scholars and experts from outside and inside the Bank, met at the IDB headquarters in Jeddah May 15 to decide on the award.

The Islamic Foundation UK has been selected for the award considering its efforts in rendering important services to Islamic economics, its contributions to the establishment of Islamic Economics as an independent field of inquiry through innovative research, teaching, training and publications, the significant impact of its publications in Islamic economics and frequent citation of such publications and in view of its sustained interest, intellectual support and continued commitment to the promotion of Islamic economics.

The award will be conferred on the winner during the 36th IDB BOG Annual Meeting to be held on 29-30 June 2011 in Jeddah, Saudi Arabia.

The IDB has established this award since 1988 with the aim to recognize, reward and encourage the activity of outstanding merit in promoting outstanding work in Islamic Economics, Banking and Finance.

Along the past 23 years, 32 (researchers, bankers, economists and institutions) have been awarded the IDB Prize annually alternating between Islamic Economics and Islamic Banking & Finance.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1648