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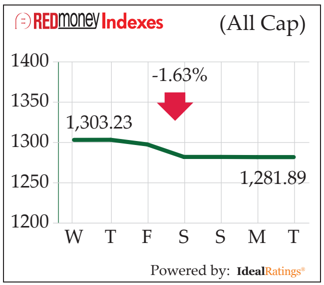

COVER STORY

5th February 2020 (*Volume 17 Issue 05*)

Garuda Indonesia: Drowning in debt

Indonesia's national carrier is in serious trouble. Drowning in debt, dogged by scandal and with its debut Sukuk set to mature this year, the firm is flailing. Rumors have been rife — culminating in radical action at an extraordinary general meeting earlier this month which saw a complete executive board overhaul, new hands at the helm and a desperate financing plan to drag the company out of the doldrums. But will yet another debt issuance be enough to rescue Garuda from restructuring — and could Islamic investors save the day? LAUREN MCAUGHTRY explores the outlook for this troubled airline.

Garuda was supposed to be a poster child for Islamic finance. Its debut Sukuk issuance, back in 2015, was a US$500 million triumph pricing in at 5.95% (down from guidance of 6.25%) and over four times oversubscribed with hefty investor demand pouring in from the across the world (with over half allocated to the Middle East alone). An innovative deal structured as a Wakalah contract based on rights to travel, the transaction (which won IFN's Indonesia Deal of the Year 2015) made Garuda the first non-sovereign US dollar issuer out of Indonesia — marking hopes that other Indonesian state- and privately-owned firms could follow.

But the long-awaited launch of Indonesia's corporate Sukuk market failed to materialize. With no government guarantee, no credit guarantee and no rating, many were surprised that the Garuda deal performed as well as it did — and with total outstanding corporate Sukuk in Indonesia only just topping a meager US$1 billion as of 2019 (according to Fitch Ratings data), Garuda might have opened the door but it seems most of the country's corporates are reluctant to step through it.

Sukuk stress

The situation was not helped by the firm's subsequent downturn — with the first signs of turbulence emerging in June 2017, when rumors emerged that Garuda was approaching suppliers including Boeing, Airbus and ATR Aircraft in the hope of deferring aircraft deliveries amid financial concerns. By July the firm was on its knees, forced to seek leniency from its creditors after its financial performance failed to meet the terms of the initial Sukuk. In particular, the carrier wanted to amend conditions restricting its consolidated debt to equity ratio, and to change the definition of 'consolidated total debt' to exclude references to indebtedness and to waive any breach of terms and conditions — a worrying harbinger of events to come.

Garuda's financial woes continued. From a cautiously profitable 2016, the company lost US$283.3 million in the first quarter of 2017, largely in part to the turbulent oil prices and a concurrent 25% increase in fuel prices. Despite a change in leadership from Arif Wibowo to Pahala Nugraha Mansury, the full year saw a loss of US$213.4 million. And while the firm initially declared a profit in 2018, it was forced to downgrade this to a recorded net loss of US$175 million after accusations of inaccurate accounting, resulting in a fine from the financial regulators for failing to meet accounting standards and the departure of Pahala as CEO.

Senior scandal

2019 brought its own problems — including the dramatic arrest of ex-CEO Emirsyah Satar (who headed the business from 2005 to 2014) on charges of money laundering and bribery, in a corruption scandal based on massive alleged bribes from partners including Rolls Royce and Airbus during his tenure. In yet another public relations disaster, five Garuda directors including CEO Ari Askhara — brought in to replace Pahala at the end of 2018 — were removed from their positions by State-Owned Enterprises Minister Erick Thohir in December amid accusations of smuggling.

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DEALS

CIAF Leasing to issue Sukuk in February; **Talaat Moustafa Group** to issue by May

Turkish Treasury sells two-year Sukuk facility

Bank Negara Malaysia issues Islamic facilities

Central Bank of Kuwait garners overwhelming response for conventional bonds and related Tawarruq facilities

Central Bank of Gambia bags mixed demand for Sukuk Salam papers

Sunway Treasury Sukuk issues Islamic commercial papers

Central Bank of Iraq's 91-day Islamic certificates undersubscribed

RH Consortium issues RM200 million (US$48.9 million) Sukuk; plans to go public in the next three to five years

Pakistani government to arrange competitive bidding to raise PKR200 billion (US$1.29 billion) from Sukuk

Aeon Company prints one RM300 million (US$73.35 million) Islamic commercial paper

Indonesia Stock Exchange lists five sovereign Shariah securities

Maybank Islamic issues Islamic commercial papers

Bangladesh Bank receives eight bids for six-month Bangladesh Government Islami Investment Bond

NEWS

Thailand's **Panglobe Company** to establish Islamic bank in Somaliland

Al Khaleej Bank selects **Path Solutions**'s iMAL Islamic core banking platform

Bank Assafa picks iMAL core banking platform

Agrobank targets financing growth of at least RM1 billion (US$244.73 million) in 2020

State Bank Pakistan revises financing limit for Islamic long-term financing facility

Securities and Exchange Commission of Pakistan updates anti-money laundering/counter financing of terrorism regulations

Three banks express interest in venturing into Islamic banking in the Philippines

Association of Islamic Banking and Financial Institutions Malaysia says half of Malaysia's banking assets expected to be Islamic by 2030

Gatehouse Bank joins **MCI Mortgage Club**'s lender panel

RESULTS

Kuwait Finance House posts 10.4% net profit increase in 2019 for shareholders

Emirates Islamic surpasses AED1 billion (US$272.22 million) profit mark on the back of 15% net earnings growth

Sharjah Islamic Bank net profit increases by 7% in 2019 to AAED545.5 million (US$148.49 million)

ASSET MANAGEMENT

Alkhabeer REIT plans capital increase to acquire real estate assets

Emirates REIT holds discretionary interim dividend due to market uncertainty and missed rent payments from asset

Al Jazira Mawten REIT signs two-year lease agreement

TAKAFUL

Saudi Enaya Cooperative Insurance Company inks insurance contract with **International Medical Center**

Creditors objection period starts for merger between **Metlife AIG ANB** and **Walaa Cooperative Insurance Company**

Wafa Insurance fails to publish preliminary financial results

RATINGS

Jaiz Bank receives first rating from **Islamic International Rating Agency**

Fitch affirms Dubai Islamic Bank's rating; upgrades **Noor Bank**'s rating

Moody's affirms ratings of **National Bank of Bahrain** and **Bahrain Islamic Bank**

Fitch assigns final 'B/RR4' rating to **GFH Financial Group**'s US$300 million Islamic certificates

MOVES

Rosman Mohamed to assume new role as **Bank Rakyat**'s CEO effective next month; to step down as board member

AAOIFI appoints members of new technical boards

Bahrain Islamic Bank promotes Afnan Ahmed Saleh to chief of human resources and administrative affairs

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Garuda Indonesia: Drowning in debt

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By the end of 2019, Garuda was in dire straits. It spent a whopping US$189.6 million of cash servicing its debts in 2019 — almost four times the 2018 figure. And although Ari managed to swing the books back into the black over the course of the year, posting a US$122.8 million profit for the first nine months with a 10% jump in revenue, the airline has major financial obligations coming due in 2020 that it will struggle to meet.

Altogether, Garuda currently owes around US$3.51 billion in debt: including short-term liabilities of US$2.87 billion and long-term liabilities of around US$633 million (up from US$461 million in December 2018).

> **With no government guarantee, no credit guarantee and no rating, many were surprised that the Garuda deal performed as well as it did**

The firm's immediate outstanding obligations comprise loans from Bank BNI, Bank Panin and Bank Permata totaling around US$275 million, all due in the first quarter of 2020, along with further loans from Maybank Indonesia, Bank BCA and HSBC of around US$20 million due by June. In total, and including the US$500 million Sukuk also maturing in June, Garuda has liabilities of around US$900 million coming due this year alone — and with just US$341 million in available cash reported in its latest financial statement of September 2019, it does not have enough money to pay its debts by a long shot.

So what are the options? At the end of 2019 the beleaguered airline was reported to be exploring a number of options: including a US$750 million US dollar Sukuk facility, US$750 million in privately placed bonds and/or US$500 million in peer-to-peer lending. But in January 2020, the wheels wobbled even more wildly. Acting President Director Fuad Rizal, who has been leading the company since the departure of Ari, subsequently announced that all Sukuk plans had been dropped, as the firm was unable to complete its interim financial report in time for shareholder approval. "Although the Sukuk issuance has been canceled, [Garuda] is currently assessing other funding alternatives to realize its goal to refinance debts due a year from now to comply with regulations," he said in a statement on the 5th January.

But in a last-minute U-turn, following a dramatic shareholder meeting held in Jakarta on the 22nd January, it seems as if the Sukuk issuance is back on track.

Out with the old, in with the new

Under the supervision of the State-Owned Enterprises Ministry, the company undertook a radical overhaul of its board, sweeping out relics of the previous scandal-ridden decade and appointing former SigFox CEO Irfan Setiaputra as the new president director. The new lineup also includes former Creative Economy Agency head Triawan Munaf as president commissioner and Ade R Susardi, formerly the business development director at Nokia. Just Fuad remains from the old guard, albeit demoted to finance director.

"The current structure has been designed to fulfill the needs of Garuda," explained outgoing president commissioner Sahala Lumban Gaol during the meeting. "We expect the new team to get to work immediately. We, the former commissioners and members of the board, believe that the new team will work efficiently to resolve any future 'turbulence' in accordance with established business ethics."

Irfan has already committed to improving corporate governance of the airline — and, perhaps more pertinently, on the 27th January he also confirmed plans to issue a new Sukuk facility at the earliest opportunity. Seeking to raise at least US$500 million, Irfan confirmed that "We are in the process of refinancing" with an issuance expected by the end of the first quarter.

Ticking clock

But time is of the essence if the new issuance is going to clear in time for the firm to meet its loans coming due in April. And while earlier plans were to raise up to US$900 million, it looks like this has since been scaled down to a more manageable size — possibly because the firm is unsure of the reception it will get in the marketplace.

> **With just US$341 million in available cash reported in its latest financial statement of September 2019, it does not have enough money to pay its debts by a long shot**

When contacted by IFN for this story the arrangers for the initial Sukuk, including Dubai Islamic Bank, Deutsche Bank and Standard Chartered, all declined to comment. Legal advisors Clifford Chance and Allen & Overy also remained close-lipped — potentially, suggests IFN, because they are already working on a new deal. Garuda itself also failed to respond to repeated requests for comment, as did Fuad. However, it will come as no surprise that the airline is highly unlikely to achieve the same coupon as it did in 2015, given the deterioration of its credit profile and the premium that investors are likely to demand in order to hold its paper.

Despite the mistakes that have been made, the airline has also suffered (and is still suffering) from a difficult operating climate — including high fuel prices, intense competition and most recently, plummeting passenger numbers due to the coronavirus — that has decimated its business model. Garuda has also been gouged in recent years by the highly successful domestic low-cost carrier

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Lion Air, which is privately-owned and therefore far more agile and versatile than the lumbering behemoth of a state carrier, bound as it is by numerous mandatory and yet unprofitable routes, unwieldy employment contracts and public disclosure requirements.

So what can it do to improve the situation?

> ***In this tough market, Sukuk alone may not be enough to resolve their debt obligation requirements***

Peer pressure

An obvious example can be found just a hop, skip and a jump away. The travails of Malaysia's national carrier Malaysia Airlines (MAB) closely mirror Garuda's own trajectory. From a pioneering and avidly received Sukuk issuance in 2012, MAB (formerly MAS) has since lurched through a disastrous decade that saw the high-profile loss of two of its planes in 2014, an official corporate dissolution in 2015, renationalization in the form of an acquisition by sovereign wealth fund Khazanah Nasional, a major internal restructuring and rebranding and the departure of three CEOs in as many years.

Despite the similarities, MAB is a very different animal – primarily, because there is no such safety net for Garuda. Indonesia does not have a sovereign wealth arm like Khazanah, and its state carrier may find it harder to get direct support from the state in the manner of MAB. "Unlike Malaysia's Khazanah and Singapore's Temasek, deploying the Indonesian government's funding is structurally more complicated," agreed Hanim Hamzah, the regional managing partner at ZICOlaw.

However, there are some elements that the Indonesian airline could emulate — most notably, the current move toward private investment. At the end of 2019, Malaysian Economic Affairs Minister Mohamed Azmin Ali revealed that Khazanah was seeking strategic partners for MAB, and as of January 2020 the group has reportedly received offers from both local and domestic carriers — including a proposed 49% acquisition by Air France–KLM, and a 25% interest expressed by Japan Air. In a coincidental turn of events Malindo Air, the Malaysian arm of Garuda's main domestic rival Lion Air, is also believed to have made an offer.

But could the same happen for Garuda? Strategic partnerships, where two airlines join forces to reduce costs and fly a broader range of routes, could be an answer. Currently, the airline counts Trans Airway (owned by one of Indonesia's richest businessmen, Chairul Tanjung) as its leading institutional investor with a 10.9% stake — and other options, such as with leading regional carrier AirAsia, could be on the cards. But the firm has been burned before. An ill-fated deal between low-cost carrier Sriwijaya Air and Garuda's own low-cost arm Citilink, designed to mitigate their respective financial troubles, ended in disaster in November 2019 following a safety dispute between the two sides.

Sukuk springboard

In 2020, the firm is believed to be shooting for a US$71 million profit — lower than last year, due in part to the loss of revenues from aborted projects such as Sriwijaya. But to meet its obligations, Sukuk will only be the first step — and remember, the firm cannot even do that without the approval of its commissioners, required for any funding above US$50 million.

"There is no doubt that they have to raise financing, and they will have to look at different ways to raise that beyond just issuing debt papers," said Hanim. "In this tough market, Sukuk alone may not be enough to resolve their debt obligation requirements. Although the asset-backed securities structure that our Jakarta office, Roosdiono & Partners, worked on with the airline last year did not add debt on the airline's books, I don't think debt financing alone is going to fit the bill."

It is also highly unlikely that Garuda will be able to get the amount it needs in a single issuance — meaning it will either have to pay a hefty premium, come to market numerous times under different programs or explore multiple different fundraising instruments to diversify its investor base.

Hanim further commented: "They really need a deep-dive restructure, look at avenues for strategic investors and apply innovative business optimization options in today's highly competitive aviation industry."

Whatever it decides, the airline needs to be looking at long-term solutions, not short-term stopgaps. And this time, it looks like Sukuk may only be the tip of the iceberg.

Coronavirus: Is it Shariah compliant to invest in the medical industry now?

As the new coronavirus outbreak has already claimed hundreds of lives creating the fear of a global pandemic, some investors have taken advantage of the situation to invest in health-related companies in a move that could be summarized in one provoking sentence: "Where you see death, I see an opportunity." But is it really that simple? MARC ROUSSOT explores.

Wuhan and 15 other cities are in lockdown. British Airways, Air France and Lufthansa have halted all their flights to China, while many other airlines have opted for a reduction as the World Health Organization (WHO) declared the new coronavirus a global health emergency.

The SARS (severe acute respiratory syndrome)-like disease is spreading. At least 426 people have died and over 20,500 have been infected in 24 countries, including China at the time of reporting. The rising death toll is dampening financial markets as fear of lasting negative impacts on the global economy lingers.

Meanwhile, "shares in Asian businesses that make rubber gloves and other surgical equipment have been boosted by the coronavirus outbreak as traders look to cash in on the epidemic", the Financial Times reported.

The valuation of Top Glove, a leading manufacturer of disposable rubber gloves categorized as a Shariah compliant company by the Securities Commission Malaysia, increased by 21.28% over the past 36 days, for example.

On the 31st December 2019, when the WHO was alerted about the Wuhan virus, one Top Glove share was worth RM4.7 (US$1.14); on the 4th February 2020, it reached RM5.7 (US$1.39).

To Muhammad Zulfadzlie Zulkifli, the chief investment officer and senior director of UOB Islamic Asset Management, it all boils down to supply and demand.

"It is Economics 101 — you would not buy stocks of a company if there is no demand for its products. As demand grows for gloves because of the coronavirus, traders are going to take a position because it is their job to make profits. They are not wishing for the epidemic to get worse, it is just that they have a view that more gloves will be needed," Muhammad explains.

Dr Mohamad Akram Laldin, the executive director of the International Shari'ah Research Academy for Islamic Finance, is of the same opinion: market forces are in action.

"I do not see any issue here. This is very much related to supply and demand. It happened that there is an epidemic which created the demand for certain goods. When the situation goes back to normal, then demand will decrease," says Dr Mohamad.

Yet, with such a spike in Top Glove's valuation over such a short period, one could reach the conclusion that stockbrokers and asset managers, conventional and Islamic alike, are capitalizing — if not speculating — on the spread of the virus and people getting sick or even dying. One could consider this practice unethical. Then, would it still be Shariah compliant to invest in a company like Top Glove given the current context?

To Maya Marissa Malek, CEO of Amanie Advisors, investing in companies producing surgical equipment or trading in the healthcare and pharmaceutical industry is permissible and Shariah compliant as long as the core business activities of these companies are Halal.

"There is no reason from a Shariah perspective to prevent stockbrokers and asset managers from investing in companies producing surgical equipment as nothing is Haram except what is prohibited by a sound and explicit 'Naṣṣ' [Arabic term for divine decree] from the Quran and Sunnah. As long as investing in companies producing surgical equipment does not contradict or violate the principles of Shariah and its key objectives known as Maqasid Shariah, there should not be any denigration or abuse to the Islamic values," shares Maya.

"Even from the ethical point of view, investing in companies producing surgical equipment does not lead to the outbreak and spread of the disease; rather it results in prevention of the epidemic and protecting the lives of people which is one of the main objectives of Islam. Hence, investment in companies producing surgical equipment may not be considered non-compliant especially on the pretext that investors may capitalize on a virus outbreak with people getting sick and dying," Maya adds.

Other Shariah scholars and Islamic finance experts are less definitive. For instance, Sohail Zubairi, a Shariah advisor and Islamic finance industry expert, questions trading practices.

"Stockbrokers are always trying to look for some or other opportunity to squeeze revenue without much attention to ethics. Principally, the daily active trading in the stock market is akin to gambling since the purpose is to get some quick bucks without making any real effort to earn such money. Most of the time, such investors lose the money which is exactly what happens in gambling and you know gambling is not Shariah compliant," Sohail details.

For an investment not to be associated with gambling, investors should take a long-term position in order to earn dividends. Such investment would not be Haram as the investor will wait for the full cycle to end to get the dividend.

Dr Natalie Schoon, a senior consultant in Islamic finance, is also on the fence. "My initial view would be that the use of rubber gloves, etc, would be considered preventative, and therefore favorable to improvement of health or at least not getting sick. Hence, there is no reason why investing in those companies would be prohibited on the basis of what they produce and the increase in their demand. In other words, if the investment is made because it is a good business with strong future prospects, there is no obvious issue from a Shariah perspective," she says.

"On the other hand, the conclusion drawn here is not far-fetched. The optics of investing in those companies at this point in time do not look good and create the impression of short-term speculative investments which is not appropriate," Dr Schoon adds.

Pakistan sees execution of first Islamic synthetic forex hedging

Pakistan's first ever Shariah compliant synthetic forex hedge has been successfully conducted by Dubai Islamic Bank Pakistan (DIBPL) for Engro Polymer & Chemicals (EPCL)'s foreign currency long-term financing. NESSREEN TAMANO has the details.

The new structure was designed jointly by the DIBPL and EPCL teams to neutralize the forex exposure generated by the company's Shariah compliant financing. Syed Abbas Raza, CEO of EPCL, explained: "Pakistan has gone through some turbulent external situations of late which has led to substantial variations in the exchange rates, which necessitates the effective management of forex risk. This was a key concern for the company after concluding its foreign currency term finance facility."

Hedging tools have long been considered controversial in the Islamic financing industry as they are linked with Gharar and Maysir, but many Islamic market players have been looking for tools to help manage risks like currency volatility.

Prior to this hedging arrangement, companies in Pakistan had no access to products that would allow them to hedge their forex exposures on long-term financing in a Shariah compliant manner. The unique structure allows EPCL to hedge its critical forex exposure while remaining Shariah compliant.

Dr Naim Abdullah, the head of treasury of DIBPL, said: "This is a landmark deal, which will create the foundation for development of further forex hedging in Pakistan."

Junaid Ahmed, CEO of DIBPL, said: "This innovative transaction will allow Islamic banks to enter into this niche segment in Pakistan, which was previously not fully open for them."

Pakistan has, in the last 12 months, suffered high inflation, low growth and intensified political polarization, along with the threat of being blacklisted by the Financial Action Task Force. The country signed a bailout package agreement with the IMF as interest rates hit an all-time high of 13.25%, which, according to the Islamabad Policy Institute's Pakistan Outlook 2020, was linked to inflation and a market-determined exchange rate put in place.

Fund Focus: BNP Paribas Greater China Equity Syariah USD

In a bid to offer Indonesian investors with a range of US dollar-denominated investment strategies, BNP Paribas Asset Management has rolled out a new environmental, social and governance (ESG) compliant fund focusing on China's Islamic equity market. MARC ROUSSOT writes.

BNP Paribas Asset Management has raised over US$20 million in less than two weeks and hopes to have over US$300 million in assets under management in five years for its new BNP Paribas Greater China Equity Syariah USD fund, the company's first China-themed fund offered in Indonesia.

"This fund is our second US dollar-denominated equity fund that invests outside of Indonesia. The first fund that we launched focuses on global developed markets (the US, China, Japan), and this China-themed fund is our 'emerging market' proposition to complement the first fund," shares Maya Kamdani, a director and head of marketing at BNP Paribas Asset Management in Indonesia.

This fund, which is listed on the Indonesia Stock Exchange, provides investors with an all-China strategy as the fund manager will invest in equities listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Exchanges and Clearing Market.

Table 1: Key features of the fund

Name of the fund	BNP Paribas Greater China Equity Syariah USD
Investment manager	BNP Paribas Asset Management
Launch date	15th January 2020
Fund category	Shariah equity fund
Base currency	US dollar
Investment objective	The fund aims to provide long-term investment growth through investments in ESG Shariah compliant equities listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Exchanges and Clearing Market.
Investment strategy	The fund focuses on listed companies founded in or outside China, but with good business exposure in China, directly or indirectly.
Asset allocation	The fund will invest at least 80–100% of its net asset value in Islamic equities. The fund will invest up to 20% in short-term domestic Shariah money market tools.
Geographical exposure	Greater China
Benchmark	MSCI China Islamic Index capped 20% (Nett)

"The investment opportunities in China today are too big to ignore, following the gradual acceptance of China equities in long-term investors' portfolios and the changing nature of China's economic structure that has prompted the emergence of Chinese companies becoming recognized on the global stage," explains Maya.

Out of China's 469 Shariah stocks, only 80 are compliant with socially responsible investing principles. Ultimately, the fund will only invest in 20 to 40 ESG stocks.

The addition of an ESG filter is part of the company's strategy to introduce socially responsible investing-themed funds to Indonesian investors, explains Maya who adds that BNP Paribas Asset Management believes that combining the Shariah principles with sustainable and responsible criteria in its stock selection process will provide sustainable long-term value to investors.

The opinions and viewpoints expressed in the Fund Focus do not constitute as a recommendation for any funds highlighted. The information presented is not investment advice and should not be treated as such.

Pakistan to offer Islamic financings as part of youth poverty alleviation program

A new poverty alleviation program focusing on Pakistan's youth will leverage Islamic finance through the disbursement of interest-free loans, as 64% of the country's population are below the age of 30 with a majority of them vulnerable to socioeconomic disparities. MARC ROUSSOT writes.

Islamic financings will be disbursed starting from April 2020 as part of the Kamyab Jawan Program, Reza Baqir, the governor of the State Bank of Pakistan, and Usman Dar, the special assistant to the prime minister on youth affairs, announced after a meeting, according to a tweet published on Kamyab Jawan's account. The process of consultations with the stakeholders has been completed, Reza added.

The Kamyab Jawan Program comprises six different initiatives including the flagship Youth Entrepreneurship Scheme which consists of gradually moving beneficiaries from basic asset transfer to interest-free loans worth PRK10,000–100,000 (US$64.64–646.4) to micro loans and then finally small loans.

The loans consist of working capital loans and term loans of up to eight years with 25% of the loans reserved for women borrowers. Tier 1 loans range from PKR100,000 to PRK500,000 (US$3,232.01) while Tier 2 loans are from above PKR500,000 and up to PKR5 million (US$32,320.1). The pricing for the Tier 1 loans is at 6% per year and at 8% for Tier 2 loans.

The scheme, which aims to provide self-employment opportunities to unemployed youth, was developed in collaboration with the Small and Medium Enterprise Authority; the Pakistan Poverty Alleviation Fund, which will look after the asset transfer program and the interest-free loan program; as well as the State Bank of Pakistan along with three banks, namely the National Bank of Pakistan, the Bank of Punjab and the Bank of Khyber.

The Youth Entrepreneurship Scheme is open to Pakistani nationals aged between 21 and 45 years with entrepreneurial potential, according to details obtained from the Bank of Punjab and the Bank of Khyber.

"Youth between 15 and 29 years make up 41.6% of Pakistan's total labor force (between 15 and 64 years). Four million Pakistani youths attain working age every year. To absorb this populace into the job market, our country needs to create 4.5 million new jobs over the next five years (900,000 jobs annually)," Usman said.

IsDB to collaborate with UN World Food Programme on innovative investment solutions and food security

Focusing on innovation in humanitarian and development programs and projects, the IsDB has signed its first agreement with the UN's World Food Programme (WFP) to help member countries in the areas of food security, nutrition, rural development, agriculture and human capital and institutional development. NESSREEN TAMANO writes.

According to the MoU, which was signed during the recent World Economic Forum in Davos, Switzerland, the IsDB and WFP will collaborate on identifying co-financing and alternative financing mechanisms for their member countries.

Dr Bandar Hajjar, the president of the IsDB Group, said during the signing ceremony: "It is based on principles of co-development, co-financing and mutual benefits, making full use of our complementary strengths and expanding the role of our institution as a bank of developers."

David Beasley, the executive director of WFP, added: "We are joining forces to kickstart progress on the nutrition and food security agenda and pioneer new ways of financing for development.

The IsDB has worked in collaboration with other countries and entities on food security before: in 2013, the bank partnered with the International Food Policy Research Institute (IFPRI) in Washington DC, USA to boost food security by increasing agricultural productivity and pursuing joint fund-raising programs as well as projects financed or co-financed by the IsDB.

In 2017, the bank embarked on a partnership with Nigeria to utilize science and technology and innovation, as well as the IsDB's concessionary financing, in building capacity and knowledge in modern agriculture for food security.

According to the WFP Global Hotspots 2020 report, food insecurity levels are highest in Zimbabwe, where half the population of 7.7 million people is food insecure, followed by South Sudan, where 3.8 million people are displaced and a severe drought and flooding in 2019 destroyed sources of food for 7.5 million people.

WFP, the largest humanitarian organization that delivers food assistance in emergencies and works with communities to improve nutrition and build resilience, estimates it will require more than US$10 billion to fully fund all its operations in over 80 countries around the world in 2020.

Qatari Islamic investment bank expands US real estate portfolio with investment in tech hub Seattle

As Qatar's sovereign wealth funds continue to increase their exposure to the US as it rebalances its portfolio, one Qatari Islamic investment bank is also ramping up its investments into the US real estate market. NESSREEN TAMANO reports.

Amid challenging economic conditions and geopolitical tensions, Qatar First Bank (QFB) has completed its off-market acquisition of a corporate campus in Seattle, Washington.

90 North Corporate Campus, the four-building, 262,000-square foot office campus located in Bellevue, was acquired for US$117 million by QFB, and is the bank's sixth product offering and fourth in the US real estate market, giving its investors even more access to international investment opportunities that are also Shariah compliant.

The property is fully rented by mobile telecommunications company T-Mobile and information technology and tech consulting company Mindtree. It is located in Eastgate, the heart of the I-90 suburban corridor, giving it prime access to the freeway, proximity to executive housing, a strong roster of corporate tenants and a low vacancy rate. The campus features a food court, fitness center, conference facility, a courtyard with outdoor seating and recreational activities and ample parking space.

According to QFB, the product offers "an investment in a stable market, providing clients with 10 years of strong, credit-backed contractual cash flows with minimal capital obligations and a best-in-class asset in a market characterized by large, market-leading companies such as Microsoft, T-Mobile, Nintendo, REI, Amazon, Google Facebook, Oculus, Costco, AT&T and Boeing".

The latest round of investments comes against the backdrop of Qatar Investment Authority looking to increase its investments into the US to US$45 billion over a two-year horizon starting in early 2019.

Seattle has been a second-tier technology hub for the past few years, as its strong tech ecosystem has been the home of choice of not only start-ups but also tech giants setting up outposts in the city. According to US real estate database company Zillow, the median rental price in Seattle across all properties in June 2019 was up 3.3% year-on-year at US$2,569, and in Bellevue in particular, median rent climbed 3.9% to US$2,835.

The investment product is offered on a private placement basis, and potential clients are subject to regulatory requirements set by the Qatar Financial Markets Authority and other regulators.

QFB's current portfolio of alternative investments include healthcare, energy, consumer finance, real estate, industrial, retail, luxury jewelers and food and beverage, spread across a diversified geography. Since its incorporation, the bank has closed a number of successful transactions across Qatar, Turkey, the UK, Africa and the MENA region.

Sovereign securities: Five regular issuers print Shariah securities

The week has been marked by issuances from five regular providers of Islamic liquidity management tools. MARC ROUSSOT writes.

Malaysia

Bank Negara Malaysia printed Shariah papers for RM105.04 billion (US$25.52 billion) over the past seven days.

Bangladesh

Bangladesh Bank sold a six-month Bangladesh Government Islami Investment Bond worth BDT3.3 billion (US$38.19 million).

Kuwait

The Central Bank of Kuwait auctioned conventional bonds and related Tawarruq facilities worth KWD200 million (US$656.51 million), carrying a profit rate of 2.75%. The facilities received bids worth KWD2.76 billion (US$9.06 billion).

Iraq

The Central Bank of Iraq (CBI) floated 91-day CBI certificates worth IQD50 billion (US$41.66 million). The apex bank received two bids amounting to IQD40 billion (US$33.33 million). The certificates, which were auctioned on the 27th January 2019, carry an average yield of 1.7%.

Gambia

The Central Bank of Gambia sold three-month and six-month Sukuk Salam papers worth GMD10 million (US$194,409) each, as well as a one-year GMD20 million (US$388,819) Sukuk Salam facility on the 29th January 2020.

The three-month paper was undersubscribed while the six-month and one-year facilities were oversubscribed.

Upcoming sovereign Sukuk

Country	Amount	Expected issuance date	Date of announcement
Iran	• IRR1.09 quadrillion (over multiple programs) • IRR40 trillion	• Throughout the fiscal year of 2020–21 • TBA	• 7th January 2020 • 17th December
Pakistan	• PKR700 billion • PKR250 billion • At least US$1 billion • TBA (diaspora Sukuk or bond)	• TBA • TBA • TBA • TBA	• 17th December 2019 • 10th December 2019 • 10th September 2019 • 29th January 2019
Turkey	• TRY600 million • TBA (euro-denominated)	• TBA • TBA	• 1st October 2018 • 28th May 2019
Oman	TBA (domestic Sukuk)	TBA	25th November 2019
Mauritania	MRU400 million	TBA	25th November 2019
Saudi Arabia	TBA (savings Sukuk)	TBA	6th February 2019
South Africa	TBA (likely domestic Sukuk)	TBA	11th July 2019
The UK	TBA	TBA	21st June 2019
Nigeria	TBA	TBA	19th June 2019
Kazakhstan	TBA	2020	17th May 2019
Egypt	US$1-1.5 billion	Early 2020	10th May 2019
Kenya	TBA	TBA	6th May 2019
Sri Lanka	LKR310 billion (Sukuk, Samurai or Panda bonds)	TBA	11th January 2019
Ghana	TBA	TBA	10th January 2019
The Philippines	TBA	TBA	19th November 2018
Sudan	About US$1 billion	TBA	6th April 2018
Morocco	Through four Sukuk worth MAD1-2 billion each (three remaining)	TBA	26th September 2018
The Maldives	MVR100 million	TBA	19th February 2018
Kuwait	TBA (conventional bond which may include an Islamic tranche)	TBA	31st January 2018

Japan: Strategic partnerships

While Islamic finance developments in Japan have been slow due to a small Muslim population and customer base for Islamic products, Japanese entities have shown a strong Islamic financing track record in Islamic finance powerhouses like Malaysia and Saudi Arabia. NESSREEN TAMANO reports on the Islamic finance and banking sector of Japan.

Regulatory landscape

Japan does not have a dedicated Islamic finance framework, but it continues to facilitate Shariah compliant financial transactions in the country and abroad. The establishment of Islamic financial institutions is permitted, and banks (and their subsidiaries) and insurance companies are now allowed to carry out Islamic finance transactions, albeit limited to certain types of products and services, including Murabahah and Ijarah-structured products.

In 2012, legal and tax frameworks for Sukuk were created by the Financial Services Agency of Japan, and in 2015, the Comprehensive Guidelines for Supervision of Major Banks and Comprehensive Guidelines for Supervision of Regional Financial Institutions were amended to include Islamic banking services.

Banking and finance

There are no fully-fledged Islamic banks in Japan, but the country's largest banks, including Mitsubishi UFJ Financial Group (MUFG) Bank, offer Islamic products. Most Japanese banks' subsidiaries also conduct cross-border Islamic finance transactions and make investments in Islamic finance products available in foreign markets.

Bank of Tokyo-Mitsubishi (BTMU), Sumitomo Mitsui Banking Corporation (SMBC), and Mizuho Financial Group all offer Islamic products through their branches in Malaysia. SMBC has also been active in Islamic deals through its London office, while BTMU has a license to run an Islamic window in Dubai, as well as a trading license in Saudi Arabia.

Japanese banks have also shown interest in Indonesia. In 2019, SMBC completed the merging of its banking franchise SMBC Indonesia with Bank Tabungan Pensiunan Nasional, of which it now owns 97%. In the same year, MUFG increased its shareholding in Bank Danamon Indonesia from 40% to 94%, and its shareholding in Bank Nusantara Parhyangan from 7.9% to 99.9%. The two Indonesian banks subsequently completed their operational merger in September 2019. MUFG Bank also successfully concluded a US$100 million syndicated Islamic financing facility for Pertamina EP Cepu, a subsidiary of Indonesian state-owned energy company Pertamina.

In the Takaful sector, Tokio Marine, with Malaysia's Hong Leong, started an Islamic insurance business in Malaysia, which was later taken over by its competitor Mitsui Sumitomo Insurance Group. Alinma Tokio Marine Company, the Japanese company's Saudi arm, transacts insurance business in the Kingdom.

> ***"Japanese corporates, including AEON, Toyota, Nomura Islamic Asset Management and BTMU Malaysia, have leveraged other Muslim jurisdictions to tap the Islamic capital markets"***

Sukuk

There has been, since 2012, a regulation in place to facilitate Sukuk in Japan, but it comes with a sunset clause in tax neutrality measures that end in 2022. The clause states that if there are no Sukuk issuances by the deadline, the framework will be terminated.

Japanese corporates, including AEON, Toyota, Nomura Islamic Asset Management and BTMU Malaysia, have leveraged other Muslim jurisdictions to tap the Islamic capital markets. In 2019, MUFG Bank joined forces with US investment bank Morgan Stanley to start selling Sukuk issued by Islamic companies.

Asset management

Malaysia remains popular among Japanese institutions in the asset management space as well. Japanese Islamic funds, such as investment firm Inspire's PNB-INSPIRE Ethical Fund 1 and Permodalan Nasional Bank (PNB)'s PNB Asset Management Japan are available in the market. Nomura Asset Management also has two Islamic funds in the country.

Inspire and PNB co-launched Respire, a Shariah business advisory firm in Malaysia that assists Japanese institutions with their investments in Malaysia and regional markets including the Halal sector.

In 2019, Japan's Government Pension Investment Fund (GPIF) partnered with the IsDB once more to promote green and sustainable Sukuk across Asia. Under the partnership, the GPIF will explore green, social and sustainable investments with a focus on climate mitigation and adaptation, poverty alleviation and women and youth development in IsDB member countries.

Government-owned Nippon Export and Investment Insurance also entered into agreements with the IsDB, its Islamic Corporation for the Insurance of Investment and Export Credit and the African Trade Insurance Agency, to enhance the involvement of Japanese government agencies in Islamic financial transactions for Japanese businesses in Africa.

Also in 2019, MUFG Bank signed an agreement with the Saudi Arabian General Investment Authority to promote Japanese investments in the Kingdom.

Mergers and acquisitions: Another busy year

Last year was once again marked by a slew of mergers and acquisitions (M&A) deals essentially driven by higher capital requirements following the Basel III accord; slower economic and credit growth amid low oil prices and the US–China trade war; and high competition in overbanked markets like the GCC. MARC ROUSSOT brings you the latest developments.

The UK

Kuwait's Boubyan Bank is set to fully acquire BLME Holdings, the parent company of UK-based Bank of London and The Middle East (BLME), in a deal worth US$212.1 million following an agreement between both banks in December.

Should they accept Boubyan Bank's all-cash offer, BLME Holdings's shareholders will be entitled to receive US$1.05 in cash for each share. It represents a 75% premium to the closing price of 60 US cents per BLME Holdings share recorded on the 4th December 2019.

Qatar

Stemming from the unsuccessful three-way merger with Masraf Al Rayan, Barwa Bank and the International Bank of Qatar completed the first legal merger of banks in Qatar's history in April, creating a new fully-fledged Islamic bank with total assets valued at more than QAR80 billion (US$21.96 billion). Operational integration was expected to be completed by the fourth quarter of 2019.

The new entity, operating under the name Barwa Bank, serves wholesale, private and retail clients through both banks' current networks of existing branches, while also offering wealth and asset management services, as well as solutions to tap Islamic capital markets.

Bahrain

The National Bank of Bahrain (NBB) released in December its official offer to acquire up to 100% of the issued and paid-up ordinary shares of Bahrain Islamic Bank (BisB) subject to a minimum acquisition of 40.94% of the issued share capital of BisB, bringing the NBB's total stake in BisB to a minimum of 70% for either cash of 117 Bahraini fils (30.84 US cents) per BisB share or a share exchange at a share exchange ratio of 0.17 new NBB share per BisB share at the option of each shareholder of BisB.

Kuwait

Shariah compliant Kuwait Finance House (KFH) secured approval in November 2019 from the Central Bank of Bahrain to acquire Ahli United Bank (AUB).

The Central Bank of Bahrain's greenlight followed the Central Bank of Kuwait's conditional approval delivered in October, following 15 months of negotiations and a due diligence process involving HSBC, Credit Suisse, Citibank, KPMG and Linklaters.

KFH and AUB have reportedly been exploring a potential merger since at least May 2017, although both companies denied such discussions until Kuwait's largest Islamic bank made its first official move in July 2018, offering AUB to commit to an MoU and non-disclosure agreement to explore the feasibility of creating a new regional banking institution, which would potentially be the Gulf's sixth-biggest lender with US$100 billion in assets.

Oman

Alizz Islamic Bank and Oman Arab Bank are still officially exploring the possibility of a merger following an expression of interest by the latter. The potential deal, which received in-principle approval from the regulator, would be credit positive for OAB, according to Moody's Investors Service.

However, as Alizz Islamic Bank has received approval from its board of directors to increase its capital in order to meet regulatory requirements and business needs, there are fewer reasons for the transaction to go through.

Also, Bank Dhofar and the National Bank of Oman (NBO), which are operating Islamic windows, are still believed to be engaged in merger negotiations, although announcements have not been made since February 2019 on that matter.

Qatar's Commercial Bank, which holds 34.9% of the NBO's shares, has already expressed its opposition against the merger.

Saudi Arabia

Saudi British Bank announced in July that the merger with Alawwal Bank had been effected.

Malaysia

As part of its strategy to become a leading global Takaful broker, UK-headquartered Howden, an independent provider of specialist insurance solutions worldwide, has acquired Malene Insurance, a Malaysia-based Takaful specialist with a portfolio of clients across the power, oil and gas, transportation and port sectors, in February.

In addition, Hong Kong-headquartered FWD Group ventured into the Takaful sector for the first time in March 2019, with the acquisition of a 49% stake in HSBC Amanah Takaful.

India

Bahrain-headquartered Investcorp forayed into India in January 2019, with the acquisition of private equity (PE) and real estate specialist IDFC Alternatives. With this transaction, Investcorp took over two active PE funds and two active real estate funds.

Tunisia

In July, Majda Tunisia became the one and only shareholder of Shariah compliant Banque Zitouna following the acquisition of a 20.9% stake from Groupe Triki, a Tunisian conglomerate active in agribusiness, textiles and construction.

The deal worth TND111.88 million (US$38.39 million) involved the sale of 25.08 million shares for TND4.46 (US$1.53) each. Groupe Triki realized a capital of TND9.1 million (US$3.12 million).

Outlook

Fitch Ratings expects more Islamic banking M&A deals to take place in the GCC as many Islamic banks still lack the market position needed to compete with large established peers, particularly in overbanked markets such as the UAE.

MEDTEX's Mudarabah facility: A sophisticated structure

Egypt-based Mediterranean Textile Company (MEDTEX)'s Islamic financing facility worth a total of US$35 million, structured under the Mudarabah concept, is considered to be the largest bilateral Islamic finance transaction in Egypt in 2019. NESSREEN TAMANO has the details.

Working with Banque Misr as the bookrunner, Venture Partners Advisory as the financial advisor and BM Lease Company as the asset owner (and effectively the security agent), MEDTEX structured the facility into a six-year Mudarabah facility in the form of sale and lease-back for US$20 million, and a revolving Mudarabah for the remaining US$15 million, to be used mainly to finance existing debts.

The volume and tenor of MEDTEX's liabilities had prevented it from achieving profits congruent with its manufacturing company. For the transaction, the financial advisor had to submit a detailed restructuring plan reflecting several sensitivity scenarios to Banque Misr, to ensure a flexible financing structure that can match the company's future cash flow.

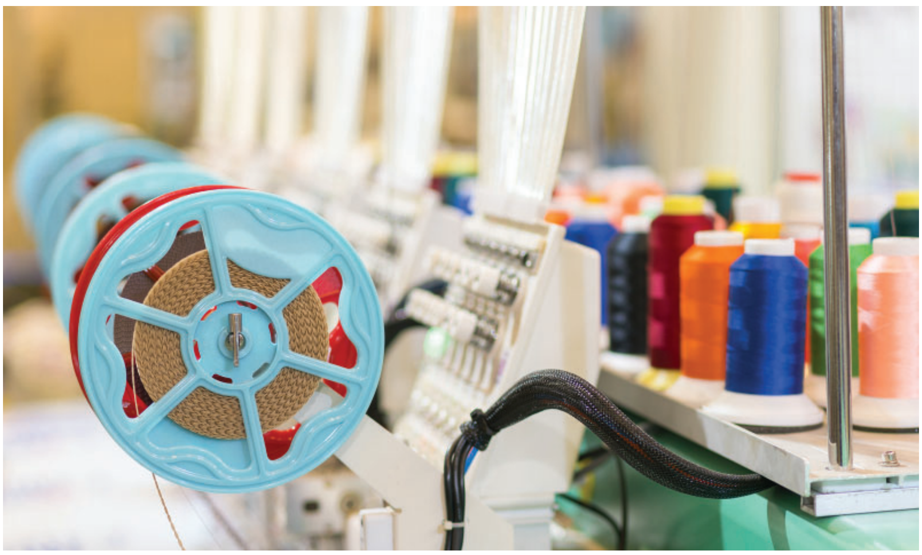
"The transaction is a buyout of existing debt obligations at other banks, and is considered a sophisticated and complicated structure," Venture Partners Advisory told IFN, adding that MEDTEX opted for Islamic financing as it is growing in popularity in Egypt, and the team at Banque Misr's Islamic arm is considered to be the strongest and fastest in Egypt.

Proceeds from the facility will also be used by the yarn manufacturer to purchase land and equipment to increase capacity, and finance its capital expenditure expansion.

> ***"The transaction is a buyout of existing debt obligations at other banks, and is considered a sophisticated and complicated structure"***

The Shariah compliant facility also **won an award in the recent** IFN Deals of the Year 2019.

MEDTEX, which was established in 2006 by Pakistan's Saif Group, is Egypt's largest exporter of yarn, which the company also produces using Egyptian long-staple cotton.



MEDTEX's long-term Mudarabah finance facilities

US$35 million

Mediterranean Textile Company

18th December 2019

Aggregate principal amount	US$35 million
Type of facility	Long-term Mudarabah
Structure	US$20 million: Mudarabah sale and lease-back US$15 million: revolving Mudarabah
Use of proceeds	To settle existing debt obligations, purchase land and machinery/ equipment to increase capacity and finance capital expenditure expansion
Tenor	Six years
Repayment	Quarterly installments
Legal advisor	Banque Misr
Governing law	Egyptian law
Financial advisor	Venture Partners Advisory
Bookrunner and arranger	Banque Misr
Security agent	BM Lease Company
Shariah advisor	Banque Misr's Shariah board
Trustees	Saif Holdings; Antec Holdings
Investors	Saif Holdings; Antec Holdings; Javid Saifullah Khan; Osman Saifullah Khan; Mohamed Maged Elmenshawy

The parameters of a Mudarabah contract

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

I had started explaining the parameters of Mudarabah … and we ran out of space for the week. So let me commence from where I had left off.

There are three essential strictures based on which a Mudarabah contract is made. These are the objective or purpose of the Mudarabah must not be repugnant to Shariah permissibility, the invitation or the offer to enter the Mudarabah — from either party — must be unambiguous and finally the acceptance by the counterparty should be to the same offer made to it.

I will now delve upon the parameters of Mudarabah in more detail which shall make readers fairly clear as to the difference of the purpose of investment-based contracts from sale-based contracts. These are enumerated in the following:

a. A time-bound contract: A Mudarabah contract cannot be for an indefinite period. In essence, a Mudarabah contract is the trusteeship arrangement since the Mudarib uses someone else's capital and shares the ensuing profit with the permission from the capital provider which must be subject to a designated duration.

   However, once the Mudarabah contract is terminated upon completion of its period and pursuant to settlement whereby the Rab Al Maal receives the capital back and the Mudarib gets his share of the profit, both may agree to enter into a totally new Mudarabah contract for a different period, purpose and terms.

   I pondered over this point enough to discover that making a Mudarabah contract limited by time actually protects the interest of both parties. As for the capital provider, his investment does not become 'hardcore' since it is returned to him along with the purpose for which it was invested, ie the profit. On the other hand, the Mudarib not only earns its share of the profit, the rule also introduces discipline and ethics on how to protect other people's money.

b. A binding contract: The Mudarabah contract is binding on both parties once the capital has been delivered by the Rab Al Maal to the Mudarib in order to commence the work on the Mudarabah business plan. This is because unilateral termination of the Mudarabah contract by the Rab Al Maal pursuant to deployment of capital by the Mudarib shall defeat the objective of the Mudarabah and cause damage to the Mudarib's interest since it might not be able to receive any compensation for the work carried out by it until that time. On the other hand, termination of the Mudarabah contract by the Mudarib at such an advanced stage shall also harm the Rab Al Maal's interest. Nevertheless, either party may unilaterally terminate the Mudarabah contract prior to delivery and deployment of the capital.

c. Certainty of Mudarabah capital: The precise amount of the Mudarabah capital in cash must be clearly known, appropriately documented in the Mudarabah contract and handed over to the Mudarib upon signing the Mudarabah contract. If the Mudarabah capital is in the shape of kind (such as inventory, gold, silver or precious metals, etc), it should be well-defined in terms of quality, quantity and current value acceptable to both parties (or professionally valued by a third party), in a manner that eliminates any possibility of uncertainty or ambiguity. This is important since the determination of profit subsequently is dependent upon the amount of the original capital remaining intact by the date of the Mudarabah liquidation. Also, the redemption of the Mudarabah capital cannot be measured if the amount was unknown or uncertain at the outset, and this lack of knowledge may potentially lead to a dispute between the Rab Al Maal and the Mudarib. On another note, it is permissible in Shariah if the Mudarabah capital is a mix of cash and kind, provided the aforementioned degree of care is applied.

d. Sharing of actual profit: Both parties must agree to share the resultant Mudarabah profit, and not a predetermined amount or a fixed rate which has no connection to the actual Mudarabah profit (or loss). As explained earlier a few times in this series, the Shariah definition of profit in an investment-based contract is an amount exceeding the originally invested amount. In Mudarabah, it will be an amount over and above the starting capital if ascertained on the maturity of the Mudarabah contract. Elaborating this point further, a businessperson will never categorize an amount as profit unless he is sure that the capital he had invested is secured. As such, distribution of an amount as profit prior to the recovery of the capital in full (or unless the capital is maintained or is intact) is impermissible in Shariah. Moreover, profit is an offshoot of the capital and this addition to the capital (ie profit) cannot be recognized or realized unless the capital itself is maintained.

e. Non-interference by the Rab Al Maal: This is the extremely important condition of the Mudarabah contract that the Rab Al Maal must not interfere in the day-to-day running of a Mudarabah entity which is solely carried out by the Mudarib. The basis for allowing the Mudarib freedom to act in a Mudarabah arrangement is that the Mudarib has the responsibility of achieving the objective of a Mudarabah investment, which is to make profit for both parties, and this is not possible unless the capital is dynamically put into operation by utilizing the Mudarib's expertise.

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

Next week: Mudarabah explanation shall continue.

Why has ADIB UK lost so much money?

By Mohammed Amin, an Islamic finance consultant and former tax partner at PwC in the UK

In the optimistic years leading up to the global financial crisis, five Islamic banks were established in the UK. In previous articles, I had reviewed their dismal financial results.

The sixth UK Islamic bank is slightly different. ADIB UK opened in 2012, a few years later than the others. However, that has made no difference to its performance compared to its predecessors.

ADIB UK is a wholly-owned subsidiary of Abu Dhabi Islamic Bank (ADIB). By Islamic banking standards, this is a reasonably-sized bank, with the 31st December 2018 total equity equivalent to US$4.8 billion. The accounts state that ADIB UK's goals are to serve ADIB Group priority and high-net-worth and corporate customers. One cannot tell from reading the accounts whether it has developed any significant independent customer base.

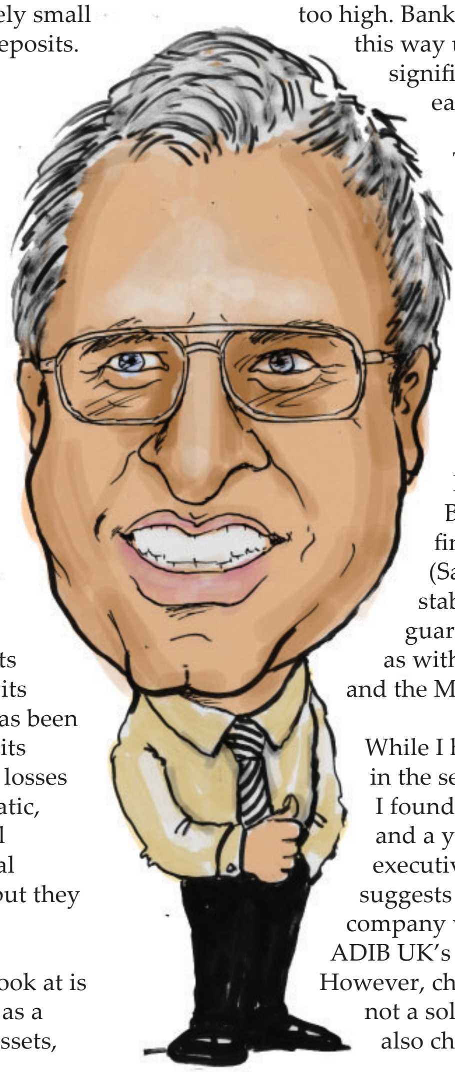
Reading the accounts, unlike some of the other UK Islamic banks, there is no sign of any material impairment losses from taking on customers who prove to be poor credit risk. Despite that, as shown by Table 1, the bank has consistently lost money.

The consistency of the results, with small losses every year, is striking. Each year, net financing income has failed to cover its operating costs. The figures show that the business activities have been subscale.

In relation to its equity, the bank has attracted relatively small levels of customer deposits. On the asset side of its balance sheet, customer financings have always been relatively low as a proportion of total assets, with the balance of the assets comprising Sukuk holdings and interbank placements.

Given the low-interest rate environment following the global financial crisis, the margin between what ADIB UK earns on its assets and what it pays on its customer deposits has been insufficient to cover its operating costs. The losses have not been dramatic, due to the successful avoidance of material impairment losses, but they have been steady.

The key statistic to look at is shareholders' funds as a percentage of total assets, without risk-weighting the assets. Shareholders' funds have been as high as 60%, and even by 2018 had fallen to only 14%. With these being non-risk-weighted numbers, the figures are far too high. Banks cannot make money this way unless they have very significant income from fee earning services.



The other factor which stands out when reading the results is management stability, or rather the lack of it. When a bank has regular changes of management, as with European Islamic Investment Bank, one expects to find significant losses. (Sadly, management stability does not guarantee profitability, as with the Bank of London and the Middle East.)

While I have not listed them, in the seven years I reviewed, I found four chief executives, and a year when no chief executive was named. This suggests that the parent company was dissatisfied by ADIB UK's performance. However, changing personnel is not a solution unless one can also change the strategy.

Table 1: ADIB UK's historic results by calendar year

Year ended 31st December	Profit (loss) after tax (GBP million)	Year-end shareholders funds (GBP million)	Year-end total assets (GBP million)	Year-end customer financings before impairments (GBP million)	Liability to customers (GBP million)	Share capital increase during year (GBP million)	Year-end shareholders funds to assets, unweighted (%)
2012	2.5	7.5	68	-	13	10	11
2013	2.3	27.6	81.6	7	21	21.9	34
2014	3.7	23.6	94	15.9	26.5	-	25
2015	4	45.3	75.6	-	28	26.1	60
2016	4	41.5	156.9	71	37.2	-	26
2017	3.3	37.9	149.3	77.9	30.8	-	25
2018	2.1	32.3	223.4	153.7	41.6	-	14
	21.9					58	

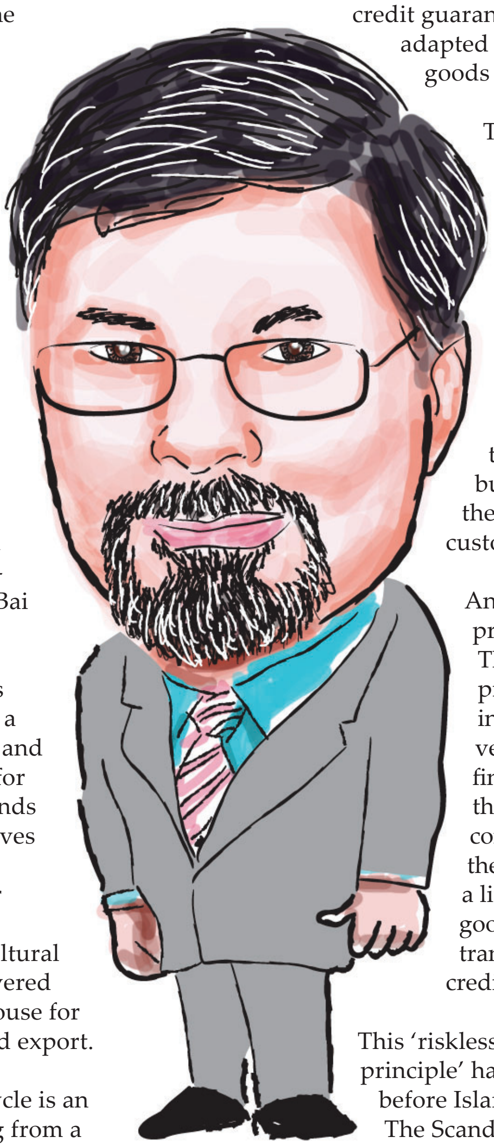
Source: ADIB (UK)

Islamic finance new year's thoughts: There are good reasons to celebrate!

Abdulkader Thomas is CEO of SHAPE Financial. He can be contacted at ast@consultshape.com.

I don't think we can interpret anybody's Niyah or intention. Maybe banking is not the easiest regulatory space to deliver Islamic finance. But I am seeing some great investor, aid agency, multilateral and bank-driven Islamic finance solutions. Some of these are in trade finance. Some of them are in consumer banking. Some of them are creative. Some of 2019's 'authentic Islamic finance' successes are just boring.

A leading Islamic multilateral will roll out two products in 2020. Incubated in 2018 and 2019, the multilateral will introduce a Salam-based product and a letter of credit (LC) confirmation program.



Beating the multilateral to the finish is a London-based hedge fund. Yes, a hedge fund. That fund is entering into Mudarabah with a local bank in West Africa to finance agricultural products at the pre-export stage using Bai Salam.

The hedge fund has no Muslim officers, a few Muslim clients and no board mandate for Shariah finance. Funds will go to cooperatives to purchase the products from their members, and the unprocessed agricultural output will be delivered to a bonded warehouse for sorting, grading and export.

At the end of the cycle is an offtake undertaking from a global food conglomerate. And, to top it off, the underlying product will be a fair trade product.

Back to our multilateral, the LC program is meant to strengthen the capacity of low-income countries, predominately in Africa to import essential goods as well as goods to be traded by SMEs.

A number of low-income countries struggle to import oil as much as they struggle to import solar panels. Under the new program, they will be able to import across the green to black spectrum.

Elsewhere in Africa, a leading Nordic development agency has allowed its credit guarantee program to be adapted for banks using goods Murabahah.

The result is that Islamic banks in the target country are able to assess credit and business propositions on a stand-alone basis. The banks then buy goods required by SMEs, tradesmen and builders and sell them on to these customers.

And, yes there is a promise to purchase. That is because the program operates in a country with a very underdeveloped financial system in the midst of civil conflict. As a result, the banks trade, take a limited-time risk in goods and ultimately transform that risk into credit risk.

This 'riskless merchant principle' has existed since before Islam, before banks. The Scandinavians are new to Islamic finance. The banks have one product. The program now lets the banks serve more SMEs.

Elsewhere wind turbines are on the way to Pakistan in a novel project co-financed by the Islamic Corporation for the Development of the Private Sector (ICD) and Meezan Bank.

"We are still imperfect humans, in this case, trying to please our Creator without Riba in our financial and commercial dealings"

The deal has the ICD invest using an Istisnah–Ijarah structure and Meezan a diminishing Musharakah. We have already seen the ICD co-finance solar in Egypt. In Malaysia, a host of providers are using Shariah tools to finance alternative energy.

One of the most positive moments in Islamic finance is percolating in Central Asia. The various central banks believe that Islamic finance is the best way to launch microfinance. And now, the local banks are scaling up Islamic offers. The legacy Soviet educational system is still strong in STEM.

As a result, Islamic fintech is brewing. New to everything, the Central Asian pioneers are not prisoners of anybody's prior experience.

From my perch, there is evolution, revolution, conversion and experimentation. Nothing is the way it should be, and that is the way it always will be. We are still imperfect humans, in this case, trying to please our Creator without Riba in our financial and commercial dealings.

Halal market closely watching new Saudi Franchise Law

SAUDI ARABIA

By Nabil A Issa

One of the most significant Halal markets in the world is the Kingdom of Saudi Arabia (KSA). Moreover, due to the high levels of disposable income it is a key market for franchised restaurants. Thus, the global Halal community has closely watched the Ministry of Commerce and Investment (MoCI)'s issuance of the new Saudi Arabian Franchise Law (Law) M/22 of 1441H that was published in the KSA Official Gazette on the 25th October 2019 and will take effect in April 2020 and apply to all franchises operating wholly or partly within the Kingdom.

The implementing regulations are yet to be issued in which they shall set out and clarify certain points in the Law. We expect that they will be issued by the time the Law becomes effective (Implementing Regulations).

The main objectives of the Law as indicated in Article 2 of the Law are to:

(i) encourage the conclusion of franchise arrangements in Saudi Arabia, by having a clear legal framework governing the relationship between franchisors and franchisees

(ii) provide the necessary protection for franchisees, particularly in the event of the termination of the franchise arrangement

(iii) assist potential franchisees in making sound investment decisions, based on the information disclosed by the franchisors, and

(iv) increase the quality of offered goods and services and ensure their continuity.

Prior to the issuance of the Law, the MoCI treated franchise agreements as commercial agency agreements subject to the Commercial Agency Law. However, Article 4(2) of the Law provides that agreements or contracts subject to the Commercial Agency Law in the Kingdom are not considered as franchise agreements. In addition to excluding the agency agreements from the purview of the Law, Article 4 also excludes among other types of arrangements and agreements:

(i) concessions issued under royal decrees

(ii) agreements and arrangements such as distribution or intellectual property licensing, and

(iii) other agreements or arrangements to be addressed by the Implementing Regulations.

Pursuant to Article 5 of the Law, a franchisor may not offer or grant a franchise in the Kingdom unless the franchise has been operated under the franchise system for at least one year and by at least two persons or in two separate outlets.

If, however, the franchise opportunity is offered by a master franchise in Saudi Arabia, the master franchisee may not offer or grant the franchise unless the master franchisee or any other franchisee has operated the franchise in the Kingdom for at least one year.

Article 19 of the Law provides that the franchisee may, without terminating the franchise agreement, claim compensation for any harm that it suffers as the result of the franchisor's material breach of its obligations related to disclosure or registration.

Article 24 of the Law provides that violations of the Law will be subject to a fine not exceeding SAR500,000 (US$133,090). Further, a committee of three members will be established by the MoCI to consider violations and penalties. Appeals may be taken to the Board of Grievances.

We are aware the global Halal market for restaurants will closely be monitoring and awaiting the Implementing Regulations.

Nabil A Issa is a partner at King & Spalding. He can be contacted at nissa@kslaw.com. Bader Abdullah Al-Ammar, the associate of corporate, finance and investments at King & Spalding, assisted in writing this report.

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What does 2020 hold?

NIGERIA

By Hajara Adeola

Nigeria's Islamic finance industry looks set to continue its journey of expansion in 2020. New operators threw their hats into the ring in the banking and Takaful segments at the tail end of 2019, while the assets under management of Islamic fund managers witnessed accelerated growth with the addition of a new fund.

My optimism is well earned. For one, the federal government has returned to a January to December fiscal cycle. To this end, it has already rolled out an expenditure plan for 2020, which is news in itself. To fund capital projects this year, the government plans to issue Sukuk in the first quarter so it can hit the ground running on project execution. The government has also indicated its willingness to upscale the Sukuk offer size by 50% to as much as NGN150 billion (US$492 million).

"It is not unlikely that by the end of 2020, the Islamic finance landscape in Nigeria will bear no semblance to its current status"

On the asset management front, we expect funds under management to grow in 2020. Shariah asset management was one of the most active segments of the market in 2019 with the emergence of a second Shariah fixed income fund.

Islamic asset managers were able to complement the marketing efforts of Islamic banks in driving retail awareness and investor education and this should continue to pay off in 2020 with more asset managers signaling their intention to launch Islamic funds.

Also, the increased adoption of digital services has enabled deeper penetration of Islamic funds particularly among the younger demographic. Nigeria's young population of ages 15–34 years, forms approximately half of the workforce and they are a key target for digitally distributed Islamic funds and banking products.

For swathes of Nigerian territory with poor internet services, some fund managers are deploying innovative fintech solutions to reach subscribers.

In the Takaful segment, we envisage that more players will come on board this year. The insurance regulator, while announcing licensing approvals for two Takaful operators late last year disclosed that, there were other pending applications for Takaful licenses awaiting the regulator's green-light.

The Islamic banking segment will not be left behind. A new regional Islamic bank opened in the northern region in November 2019. It is not unlikely that others will follow, given the size of the potential market.

We expect the new entrants to drive innovation and competition across these regions to give Islamic finance a stronger foot print in the Nigerian market. The collateral benefit of the new entrants is a budding institutional Islamic banking and finance market place.

Clearly Islamic finance market looks set to expand. It is not unlikely that by the end of 2020, the Islamic finance landscape in Nigeria will bear no semblance to its current status. Interesting times ahead.

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FEB 19	**IFN Fintech Pitch Day** *Kuala Lumpur*
MAR 8	**IFN World Leaders Summit** | *Dubai, UAE*
MAR 8	**IFN Fintech Pitches** | *Dubai, UAE*
MAR 8	**IFN Fintech Awards** | *Dubai, UAE*
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MAR 8	**IFN Dubai Awards Dinner** | *Dubai, UAE*
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NOV 16	**IFN Morocco Forum** | *Casablanca, Morocco*
MAR 18	**IFN Australia Forum** | *Sydney, Australia*
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APR 6	**IFN Asia Awards Dinner** | *Kuala Lumpur, Malaysia*
APR 7	**IFN Asia Forum — Investors Day** | *Kuala Lumpur, Malaysia*
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JUN 5	**IFN WAMU Forum & Dialogue** | *Abidjan*
JUN 8	**IFN Kenya Forum & Dialogue** | *Nairobi, Kenya*
JUN 10	**IFN South Africa Forum & Dialogue** | *Cape Town, South Africa*
JULY 13	**IFN iNNOVATE Asia** | *Kuala Lumpur, Malaysia*
AUG 24	**IFN Asia Halal Financing Forum** | *Kuala Lumpur, Malaysia*
AUG 26	**IFN Indonesia Forum** | *Jakarta, Indonesia*
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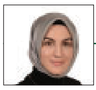
NOV 10	**IFN Kuwait Dialogues** | *Kuwait City*
NOV 11	**IFN Jordan Dialogues** | *Amman, Jordan*
NOV 24	**IFN Green & Sustainable Finance Forum** | *Kuala Lumpur, Malaysia*

Sukuk by Turkish banks doubles in 2019

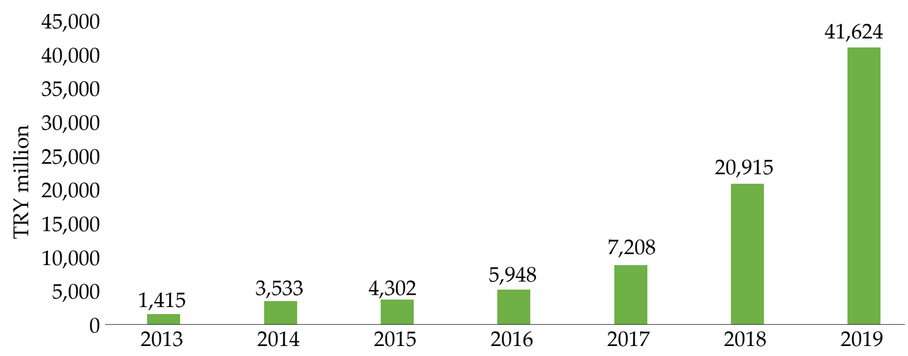


TURKEY

By Ayse Nur Tepebasi

As a result of key reforms and efforts to diversify the capital markets in Turkey, Sukuk issuances have displayed a strong growth in 2019. Following the national initiative of developing the securities market, including the Islamic capital markets, under the Istanbul Financial Center Action Plan, the Turkish government has carried out a number of reforms to develop the regulatory framework for the Sukuk market.

Diagram 1: Sukuk issuances of participation banks



Source: Participation Banks Association of Turkey

Diagram 2: Republic of Turkey Ministry of Treasury and Finance Sukuk issuances

	2015	2016	2017	2018	2019
Domestic issuances (TRY million)	3,390	6,262	4,260	7,254	7,601
Domestic issuances (EUR million)	-	-	-	566	1,837
Domestic issuances (Gold kg)	-	-	1,319	2,486	65,473
International issuances (US$ million)		1,000	1,250		2,000

Source: Participation Banks Association of Turkey

In November 2018, the Capital Markets Board's fees for issuances were reduced to zero percent until the end of 2019.

With Sukuk regulations removing barriers and initiatives being rolled out, issuances have witnessed an increase in recent years. Participation banks, dominating the private sector Sukuk market, have issued Sukuk worth TRY41.6 billion (US$7 billion) in 2019, which is double the size of the previous year's issuances.

> ***"As corporate fundraising requirements increase, it is expected that more corporate issuers will tap the Sukuk market in 2020"***

According to the IFSB, Turkey ranked the fifth-largest Sukuk issuer accounting for 8.3% of overall issuances of 2018. It is expected that Sukuk issuances of participation banks will continue in 2020.

The Turkish Treasury has become a regular Sukuk issuer since its first issuance in 2012 and remains a contributor to the development of Sukuk markets through innovative approaches.

In 2017, at a time when volatile exchange rates and high-risk premiums were faced, the government launched gold-denominated Sukuk to deepen the domestic market and enable a more cost-effective alternative to tapping international debt markets.

In Turkey, gold is considered an important traditional investment and used as a gift in ritualized occasions.

However, physical gold is kept out of the economy by individual investors and it is estimated that Turkish people store around 2,200 tonnes of gold under the pillow. Designed to appeal to the public, the gold-denominated Sukuk aimed to bring the idle gold into the financial system and encourage retail savings.

From its first issuance up until the end of 2018, the Treasury collected 3,805 kilograms of gold from retail investors.

In 2019, investment in gold-denominated Sukuk was opened to institutional investors, as a result, 65.5 tonnes of gold was raised by the end of the year.

In recent years, domestic Sukuk issuances of the Treasury has increased due to efforts aiming to increase domestic savings, expand foreign investor base and diversify financing instruments.

Corporate Sukuk issuances have been dominated by participation banks, but recently corporates have also shown interest in Sukuk as an alternative source of funding, which is expected to enable the growth of the Sukuk market.

While a number of non-financial Sukuk issuances have taken place in 2019, the most recent issuance in December 2019 worth TRY150 million (US$25.28 million), was from a Turkish energy company named Palmet Gaz, making it the first Sukuk issuance in the natural gas distribution sector of Turkey and also the second issuance for the wider energy sector.

As corporate fundraising requirements increase, it is expected that more corporate issuers will tap the Sukuk market in 2020.

Ayse Nur Tepebasi is the international relations specialist at the Participation Banks Association of Turkey. She can be contacted at aysenuraydin@tkbb.org.tr.

Islamic finance in Algeria: What's new in 2020?

ALGERIA

By Dr Ahmed Tahiri Jouti

Contrary to what external observers think about the negative impact of the political scene on the Islamic finance industry, the latter evolved in a positive trajectory that would reinforce its position in the Algerian financial system.

The main indicators and events related to this positive trajectory are:

- Al Salam Bank, a fully-fledged Islamic bank in Algeria, was ranked as the second-fastest growing Islamic bank in the world in terms of size of assets. Indeed, the bank succeeded in expanding its network of branches as well as its services and products during the last few years. This performance is an indicator of the great potential of Islamic finance in Algeria.
- The government is willing to allow insurance companies to start Takaful windows as was the case for banks. The financial authorities are expected to issue a circular related to the regulatory requirements for launching Takaful windows and products. It is worth noting that the insurance companies prepared a legal text dedicated to Takaful. Nevertheless, the approach adopted by the Algerian government consists of encouraging the state-owned financial institutions to start Shariah compliant financial services and products instead of granting licenses for new operators.
- The dynamics of universities and business schools in organizing international conferences, events and seminars related to Islamic finance to discuss different topics linked to the implementation process of a legal and a regulatory framework in Algeria and the expected impact of it on the whole financial system in terms of financial inclusion, economic growth and new alternatives.
- The significant number of Algerian experts that evolved in the international context of Islamic finance in Malaysia, the UAE, Qatar, Saudi Arabia and such.

These indicators reflect the potentialities of the Islamic finance industry in Algeria if all the necessary adjustments are completed successfully.

The Islamic Higher Council has a big role to play if it is nominated as the central Shariah board for the whole Islamic financial system in Algeria.

This will confirm the global trend of moving from local Shariah boards toward a central Shariah board system reinforcing the credibility of the financial systems.

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

Afghanistan launches National Financial Inclusion Strategy

AFGHANISTAN

By Manezha Sukhanyar

As per Da Afghanistan Bank, around 85% of adults in Afghanistan are not banked and they do not have access to financial transactions due to different reasons such as a lack of required information, distance, a lack of funds and religious concerns.

Additionally, the share of outstanding SME loans was 0.17% of GDP in 2018 which is very low compared to regional economies. On the other hand, only 4.16% of total bank lending was for agriculture and livestock. Due to many risk factors, banks are reluctant to provide financing to the agricultural sector; the Afghanistan economy heavily relies on this sector and it employs about 40% of the national workforce.

To address the aforementioned issues, Da Afghanistan Bank and other stakeholders of the National Financial Inclusion Strategy (NFIS) intend to implement the first NFIS for Afghanistan (2019–24) to reduce financial exclusion by 15% and increase financial accessibility for Afghans.

> ***"The implementation of this strategy will attract customers toward the banking system particularly Islamic banking"***

The strategy intends to help individuals and MSMEs in key sectors, particularly agriculture, to access financing which they require to grow, according to Da Afghanistan Bank's acting governor, Wahid Nosher.

Meanwhile, as per the officials of the World Bank, achieving an inclusive and sound financial system where all Afghans have access to finance is key to boosting economic growth and poverty reduction across Afghanistan.

This strategy will ease access to financing for the agricultural sector which has a great impact on the development of rural areas by creating job opportunities for the rural population and ensuring a sustainable supply of agricultural goods.

The implementation of this strategy will attract customers toward the banking system particularly Islamic banking. So, let's wait and see the impact of such a strategy on the overall banking sector of Afghanistan.

Manezha Sukhanyar is the former chief of Islamic banking at Maiwand Bank. She can be contacted at sukhanyarm@gmail.com.

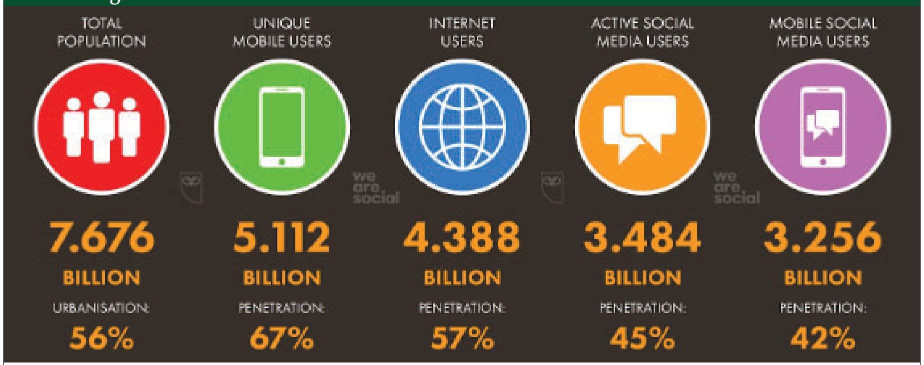
Malaysia — Islamic digital economy

MALAYSIA

By Ruslena Ramli

The government has identified the digital economy as one of the stepping stones in Malaysia's quest to become a high-income nation. According to the World Bank, Malaysians can lay claim to one of the most digitally connected societies in the world, with 80% enjoying broadband access compared to the global average of 67% mainly through mobile networks.

Chart 1: Digital around the world in 2019



Source: Digital 2019 – Global Digital Overview

Nonetheless, the country falls behind its international peers in terms of digital adoption by businesses. The Malaysia Digital Economy Corporation (MDEC) has been mandated to turbo-charge the nation toward becoming an economy driven by technology and innovation.

This is envisaged to be achieved through the building of world-class infrastructure, investing in people and the ecosystem and implementing various catalytic industry programs and initiatives.

In the Islamic space, MDEC's task extended to formulating the Islamic Digital Economy (IDE) Guide (also known as Mi'yar). This guide, launched in March 2018, encapsulates the country's entire Halal industry and was designed to attract investors and venture capital to fund Halal businesses.

Mi'yar further outlines the provisions/requirements for a digital platform for cooperation as well as the financing and incubation of an Islamic business, including Islamic banking and finance in line with the government's aspiration to enhance Malaysia's global competitive advantage in Islamic finance.

Currently, Malaysia's digital economy (which includes IDE) contributes 18.5% to GDP and the government aspires this to increase to 20% by the end of 2020.

Based on market data, Muslim consumers worldwide contributed over US$200 billion to the more than US$2 trillion global digital economy as of 2018. With a 17% compounded annual growth rate, their spending has been increasing more rapidly than the rest of the digital economy, according to the Gulf Times.

DinarStandard, a research and advisory firm, projects the global Islamic digital economy to reach an estimated value of US$277 billion by the end of 2020. Given these numbers, it is not surprising that the Malaysian government is expending so much effort to unlock the value of this vast business opportunity.

Islamic banking and finance is one of the main pillars of an Islamic digital economy, particularly in connection with retail e-commerce; social commerce such as peer-to-peer sales platforms; crowdfunding sites; group buying platforms or online social shopping groups; online and mobile payment services; and innovative Halal investment products.

From this perspective, Islamic banks' digital offerings and the anticipation for new digital banks — including online and mobile banking, online bill payment, person-to-person payments and account-to-account transfers — are helping to exponentially increase the digital engagement of their clients.

Malaysia's digital-savvy millennials' increasing affluence while indulging in certain sectors of the Islamic digital economy, for example fashion; health and beauty; and tourism which have had a catalytic effect, has nurtured and developed an inclusive Islamic digital economy. Notably, these outcomes came from government policies, guidelines and incentives to spur the development of its Islamic digital economy.

Moving forward, in line with the government's Shared Prosperity Vision 2030 launched in October 2019, the government will continue to drive the development of the digital economy to boost the nation's economic growth.

Ruslena Ramli is the head of Islamic finance at RAM Ratings. She can be contacted at ruslena@ram.com.my.

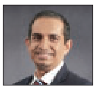
Web Exclusive

Shariah Pronouncement: Shariah, Fiqh and Usul al-Fiqh; Istihsan

In Ijarah Muntahiya Bil Tamleek, the client may want to speed up payment of the installments, which is called 'partial early payment'. For example, the client pays AED6,000 (US$1,633.11) every month as rent starting in January. In March, he wants to pay AED100,000 (US$27,218.4) and then go back to paying the normal AED6,000 in April. Is it permissible for the company to receive this amount? How is the company to classify this amount?

To read the full article, log on to www.islamicfinancenews.com.

Licensing framework for digital banks



SHARIAH & CORPORATE GOVERNANCE

By Prof Dr Mohamad Akram Laldin

Bank Negara Malaysia (BNM) has come up with an exposure draft on a licencing framework for digital banks. This is one of a series of measures by BNM to empower and enhance the application of innovative technology in the financial sector. BNM earlier issued a number of enabling regulations such as the regulatory sandbox framework for fintech, allowing it to be deployed and tested in a live environment within specified parameters and timeframes.

The new exposure draft, which was issued on the 27th December 2019, delineates the proposed framework to enable the entry of digital banks with innovative business models that seek to serve the unbanked. Technological innovations have proliferated within the financial sector, and digital banks have not operated in a full financial and economic cycle.

As such, there is a need for a balanced approach that enables the admission of digital banks within a strong regulatory framework that will ultimately enhance the stability of the financial system as well as depositors' interests.

Digital banking means a full digitization of a bank including all its activities, programs and functions. It offers banking products and services to the underserved or unserved market primarily through digital or electronic means.

Banks — conventional and Islamic — who wish to carry on digital banking business should apply for a digital bank license that is separate from their existing license entity. Nevertheless, this does not prevent licensed banks from digitalizing their current business operations, which remains within the scope of their existing banking license.

Besides that, the draft describes the eligibility condition and application procedures that must be fulfilled by an applicant aiming to carry on digital banking business. For example, digital banks are required to comply with the requirements of the Islamic Financial Services Act 2013 or the Financial Services Act 2013. This includes provisions on prudential standards as well as standards on business conduct, consumer protection and anti-money laundering and terrorism financing.

Similarly, the draft explains the business restrictions and regulatory framework pertaining to a licensed digital bank during the foundational phase. A licensed digital bank shall operate with an asset limit for a period of up to five years from its foundation. During this phase, a licensed digital bank has to maintain at all times a minimum capital of RM100 million (US$24.58 million).

"To sum up, this initiative of a licensing framework for digital banks that has been taken by BNM is expected to enhance technological innovations within the financial sector"

It must also ensure that the total size of its assets never exceeds the limit of RM2 billion (US$491.63 million) during the foundational phase. The physical access points that may be established and the business activities that may be undertaken by the licensed digital bank have also been explained in the draft.

To sum up, this initiative of a licensing framework for digital banks that has been taken by BNM is expected to enhance technological innovations within the financial sector. This will add dynamism to the banking landscape and contribute to individual well-being.

Prof Dr Mohamad Akram Laldin is the executive director of the International Shari'ah Research Academy for Islamic Finance (ISRA). He can be contacted at akram@isra.my.

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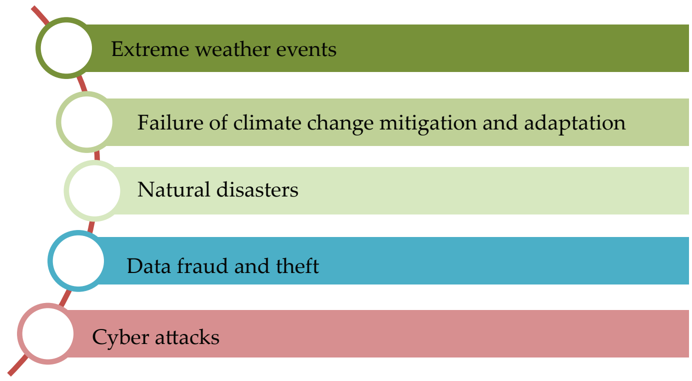
Global risks and their effects on Islamic financial institutions in 2020

RISK MANAGEMENT

By Mohamed Afzal

As we enter the new decade, the level of risks faced by the financial institutions has also risen. The recent risk report from the World Economic Forum highlighted the following top five global risks for 2019 in terms of likelihood:

Diagram 1: Top five risks in terms of likelihood for 2019



Source: Author's own based on the Global Risk Report 2019

The top three in Diagram 1 represent the risks related to the environment and climate change, indicating that the time has come to make effective measures to address these risks. In 2019, natural disasters such as the Amazon wildfires, the European heat wave and Californian wildfire made the headlines. These were mostly a result of the failure to address climate change.

How will these impact Islamic financial institutions? Islamic financial institutions need to take the required measures to evaluate their financing/investment portfolio whereby additional risk mitigation efforts are taken to reduce the risk of climate change.

For instance, Takaful companies will have to revisit their efforts to ensure that the sufficient risk premium is taken, since the likelihood of climate change events are on the rise. Taking into further consideration the risk of climate change and its outcome will have a major impact on making timely claims to the insured.

On the other hand, Islamic banks will have to make the requisite efforts to ensure that funding is being disseminated to environmentally-friendly projects.

One of the recent initiatives being the State Bank of Pakistan's Mudarabah scheme to finance renewable energy projects and also the solar finance facility from Sri Lanka's Amana Bank to finance the setting up of solar electricity schemes.

Data fraud and theft along with cyber-attacks will be the next challenges Islamic financial institutions will have to deal with. The period of 2020-30 will be a critical phase in digital transformation and it has been obvious that the risks from cybercrimes are on the rise with the rise of the digital revolution.

"However, in order to address these risks, the central bank of every country will have to play the pivotal role of ensuring that the overall banking climate and the strength of the banking system are not compromised"

We have seen several digital companies taking additional risk-mitigating steps including having professional hackers review and test the security levels of their existing systems.

Furthermore, almost all central banks have implemented measure and guidelines to mitigate the risk of cybercrimes.

Despite having additional risks compared to conventional financial institutions, Islamic financial institutions can take the following steps to ensure that such risks can be strategically mitigated:

1. Initiating environmental-friendly financing/investment schemes;
2. Promoting corporate social responsibility initiatives focusing on securing and safeguarding the environment;
3. Setting up a dedicated team specializing in cyber security; and
4. Promoting a risk culture among Islamic financial institutions.

However, in order to address these risks, the central bank of every country will have to play the pivotal role of ensuring that the overall banking climate and the strength of the banking system are not compromised.

The overall banking system deals with highly confidential data and information hence additional efforts are needed to ensure that there are no data breaches.

Mohamed Afzal is Risk Management Specialist in the Risk Management Department of the Saudi ORIX Leasing Company. He can be contacted at Afzal@saudiorix.com.sa.

Special Halal economic zone

HALAL

By Dr Sutan Emir Hidayat

The Halal industry has been growing over the years and was valued at US$2.2 trillion in 2018 across several sectors including food, lifestyle and pharmaceuticals and expected to reach US$3.5 trillion by 2024. The industry has become one of the most promising sectors for the economic development of many countries as the global Muslim population is increasing every year and expected to reach 2.2 billion people by 2030.

Many countries, both Muslim and non-Muslim majority, are now participating in this growing sector as it offers huge business opportunities and revenues for the countries. In order to benefit more from this industry, the countries can choose one of the many ways to develop the Halal industry. One of them is through a special Halal economic zone.

A special Halal economic zone is designed with the system and facilities that help the countries to develop the industry to produce Halal products. This zone is unlike other industrial zones since it is obliged to follow certain compliance systems such as safety, hygiene and Shariah requirements. This zone would likely consist of Halal restaurants, hotels, malls and entertainment venues as well as Islamic financial institutions.

At present, there are many countries embarking on opening a special Halal economic zone, aiming to be a global Halal hub. Indonesia, for instance, has started to develop its first Halal industrial zone in several locations across the country. The first special Halal economic zone will be established at the Modern Cikande Industrial Estate, a 500-hectare site focusing on Halal food and beverage in Serang, Banten while other planned industrial zones will be at four other areas in Indonesia. The first phase of the development of a Halal zone will include a Halal certification facility with a laboratory, a Halal wastewater treatment plant and a logistic park. In addition, as the Philippines is poised to be Asia's next Halal export hub, the government — through the Zamboanga Special Economic Zone and Freeport Authority known as ZAMBOECOZONE — has allocated a 100-hectare area to attract Halal processing and manufacturing foreign investors to invest in the Asian Halal Centre in Zamboanga City.

In contrast, Malaysia has been ahead in terms of the development of a special Halal economic zone. Currently, there are approximately 22 Halal industry parks across Malaysia. The government has specifically established the Halal Industry Development Corporation to help Halal parks become attractive enough for foreign companies, particularly multinational corporations, to invest in Halal parks in Malaysia.

There is an increasing number of special Halal economic zones being developed globally; the completion of a special Halal economic zone requires a good plan which not only focuses on building the environment aspects of facilities in the zone but also making sure the zone's operations are in accordance to Halal requirements to ensure the integrity of Halal products. Thus, it will create a comprehensive Halal ecosystem with mutual value.

As this approach has been recognized as one of the effective ways to develop the Halal industry, it is expected in the years to come that more countries will adopt it which will help to enhance the global Halal ecosystem.

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Brexit Boris Boost

REAL ESTATE

By Philip Churchill

After four years of living and breathing the Brexit will we/won't we debate, as you read this the UK will be out of the EU. What surprised me after so much strong feeling (to put it mildly) on both sides of the discussion over the years is that it's all gone quiet. Quite literally in the case of Big Ben which Boris Johnson had hoped he could get to chime in the UK's new independence, but to no avail. For most it's a sense of relief that life is getting back to normal.

With a combination of Brexit certainty, albeit with a trade deal still to go with our European friends, and a comfortable majority for the Conservative-led government, the CBI report that business optimism among manufacturing companies is at its highest level for nearly six years and was the biggest quarterly swing in sentiment from -44% to +23% since they first started recording in 1958.

So much capital investment had been put on hold while these uncertainties were hanging over companies, that the taps are now being reopened. Meanwhile, annual house price growth which had been drifting towards 0% leapt by the end of December to 4%. Both companies and individuals are spending money again.

And so it is with Islamic investors as well. The belief that there was pent up demand is being realized. With the odd exception, the investors we speak to are largely back on the UK and keen to see opportunities, whether that it's in the office, logistics or student accommodation sectors. Very few are brave enough for retail just yet.

While we're only one month into 2020, realized transaction activity is also encouraging both north and south of the Scottish border, with ADIB UK financing both a healthcare facility in central London owned by an Abu Dhabi investor and supporting a Bahraini investor with their acquisition of a logistics asset in Edinburgh, and GFH from Bahrain acquiring a GBP39 million (US$50.94 million) office business park to the northwest of London.

While the trade deal with Europe is one to watch as the year pans out, for the moment all 2020 graphs are going up.

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Blockchain — a Shariah perspective

Blockchain is considered a tool to manage transaction databases in a chain of distributed digital transactions (algorithms) through the internet, whereby the contracting parties in financial and commercial transactions can execute deals without a medium or a third party. These transactions are recorded as blocks coded in this chain, which cannot be edited or deleted. DR AHMAD ASAD MAHMOOD IBRAHIM delves further.

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One of blockchain's main functions is managing contracts; any organization that depends heavily on contracts such as companies and financial and real estate companies do benefit from blockchain technology in updating, managing and insuring contracts, as well as managing the supply phases beginning with the flow of raw materials, individuals, information, services, capital and products from the suppliers to the factory, followed by the warehouses, then to the distribution companies and ending with the customers.

In relation to the security of information, the blockchain technology contributes in protecting assets by creating an immediate ownership registry which cannot be hacked. This includes all types of assets and precious commodities which can be protected from piracy and theft, and it is expected that blockchain technology will have an effective role in managing personal records systems by managing personal information used by governments, including documentation certificates.

Blockchain technology facilitates executing electronic payments and fund transfers to any beneficiary, without the need of a medium or a third party.

If we observe its evaluation from a Shariah perspective based on the previous conception, then it is permissible for technology companies to provide such services to users, whether individuals or corporations, under subscription contracts or the like, for a specific fee. The contract between the technology company and its clients is adjusted to be a joint lease (Ijarah) contract between them, subject to the terms of the lease contract and its provisions in general, and to the provisions of the lease contract with a joint lessee in particular. The Shariah basis is that if the basis in contracts is permissibility, and as long as it is free of what contradicts the rules of transactions in Islamic Shariah, then the basis in the means of concluding contracts is permissibility also, if the means achieve the Shariah requirements for concluding contracts.

> *"It is valid by Shariah to adopt the electronic or digital signature as a means of verification"*

Here, it is necessary to establish the origin of the principles and standards of blockchain technology based on the following:

1. The form in which contracting is being held (offer and acceptance) to signify the consensus in the contracting. If the offer and acceptance do not occur verbally, then it suffices to undertake what indicates the consensus in action or any other evidence. The meaning of offer is to provide the opportunity for a party to obtain what the offeror has, and the acceptance is using the directed right from the offeror due to the occurrence or effect in the case of compatibility between the offer and acceptance.

2. The contracting session, whereby the contracting parties meet, and its expanded view with continued acceptance. The contracting session is defined as the meeting occurring for the purpose of contracting; and "meeting" is meant by the time period that occurs after the offer and the two parties are forthcoming to contract without an objection from either one of them. The 38 Shariah standards permitted the principle of contracting via an audio or video call — via internet — as well as digital communication, whereby it adopts the provisions of the present contractors, and the provisions of the contract session consolidation apply to it. The offer and acceptance are valid as per the commonly known, as long as the communication with regards to the contract is ongoing.

3. Verifying the contractors' identity, whereby it is necessary to undertake all the possible procedures and precautions to verify the identity of the users on the network and validate their eligibility to contract correctly and effectively. It is valid by Shariah to adopt the electronic or digital signature as a means of verification through symbols, letters and numbers which prevents ambiguity and the reincarnation of a user's identity. If counterfeiting, forgery, fault in the identity of one of the users or an attribute in it is proven, then the other contractor is permitted to annul the contract.

4. Guarantee and bearing the defect are required for profit eligibility. Guarantee means the liability of damage to the sold, which is liable on the seller when it is before delivery and receipt; and when the buyer is able to receive then the damage guarantee transfers to him. This is what jurists perceive — they decided that ownership transfers upon contracting and guarantee transfers upon receipt. As for the defect option, there is a difficulty in determining and proving the defect when the contracting is done through the blockchain network, hence, a legal and technical mechanism must be found to overcome this problem.

The Halal industry: Better protection for Muslim consumers in Indonesia

The global Halal industry, excluding Islamic finance assets, is estimated to be worth around US$2.3 trillion as per the Global Islamic Economy Report 2019. With progressive growth at approximately 5% annually, spending on the Halal industry was valued at about US$2.2 trillion in 2019. Thus, it has become one of the biggest consumer segments in the world, particularly in Indonesia where it achieved tremendous movement in 2018 by jumping to fifth from 10th in the Global Islamic Economy Indicator 2019. NI PUTU DESINTHYA and YUNICE KARINA TUMEWANG write.


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The Global Islamic Economy Report 2019 mentions that the Muslim populations worldwide spent a total of US$1.4 trillion for Halal food and beverages in 2018. This significant amount was driven by the growing role of ethical consumerism and the enhancement of digital connectivity.

Indonesia, for several years in a row, is consistently ranked as the highest spending country worldwide for Halal food with a total expenditure of US$173 billion. This is not merely because of Indonesia's large number of Muslims but also because of the increasing awareness of Halal consumption among Indonesians — the country is third when it comes to the importance of religion in people's lives, according to the Pew Global Attitudes Survey 2015.

The establishment of Law No 33 of 2014 concerning Halal Product Guarantee (UU JPH) is indeed a true commitment of the government to maximize Indonesia's potential as the largest Halal food market in the world. The law is to be implemented this year as a mandatory requirement for all industry players. UU JPH is highly expected to provide legal certainty for consumers as well as competitive value for business players. Nevertheless, a few protested and cynical criticisms were voiced as it can be a double-edged sword due to its potential to either kill or flourish SMEs in Indonesia.

From an optimistic view, most business players welcome the mandatory Halal certificate, considering it as valuable support by the government to accelerate the development of the Halal industry in Indonesia. However, there are still expectations for more affordable Halal certification costs or even free if possible.

UU JPH regulates the 'Halal mandatory certificate' and not the 'mandatory Halal', which means that non-Halal products are still allowed to be circulated among society and should be openly known as not Halal. Halal products, however, need to be checked and approved by the government through certification before Halal declaration.

Given the fact that Indonesia is home to the largest Muslim population in the world, theoretically it should not be difficult to build a Halal supply chain system as cattle ranchers, meat butchers and retailers in Indonesia are all dominated by Muslims.

However, the reality is not as simple as imagined. Cases of 'tiren chicken' (chicken that is dead without going through the slaughtering process), traditional food mixed with chicken blood for flavoring and coloring, unhygienic cattle cages and an 'un-Islamic' animal slaughtering process still exist. It is then hard to assume in the first place that all products are Halal in Indonesia.

Shifting from a Halal to a Haram label can also be problematic since the word 'Haram' has a negative connotation even for non-Muslims, thus, the Halal label is inevitable. Therefore, it becomes the responsibility of the Halal Product Guarantee Agency (BPJPH) to guarantee the certification process and its credibility.

Furthermore, the moving of goods manufactured from the supply factory to consumers has several consequences on the environment in terms of carbon emissions. The relevant stakeholders should keep in mind that it is important to optimize the Halal industry in line with environment preservation as it is part of the Islamic principles. For that, green supply chain logistics is one of the ways to ensure that the Halal industry can contribute not merely to the country's wealth but also to sustainability.

The existing data on the potential of the Halal food market presented so far is merely on the growth of the Halal food expenditure by Muslim consumers. What about potential penetration among non-Muslim consumers? Research conducted in the UK (Ayyub, 2015) and Malaysia (Mathew, Abdullah, and Ismail, 2014) showed that non-Muslim consumers in these two countries argue that Halal food products reflect only the expected value of purchasing Halal food that is healthy, hygienic and safe to consume.

For this reason, socialization and education are highly required in global society. It is important to note that Halal certification is not a kind of discrimination of a certain religion over others, but rather about the protection of the rights of all consumers. Nowadays, the concept of Halal is not exclusive to religious teachings since it is promoting a healthy and sustainable lifestyle. Halal requirements effortlessly meet many of the conventional quality standards, such as ISO, Codex Alimentarius, Hazard Analysis and Critical Control Point as well as Good Hygienic Practice. Above all, the BPJPH also needs to involve stakeholders in the Halal auditing process as stakeholder participation will assist in organizing a better known and more credible Halal assurance. If the law is agreed by the stakeholders within the industry, the Halal certification costs can no longer be seen as a liability but as an investment. The internal and external process to build a good organizational governance system must be controlled and monitored. For that, strong leadership is greatly needed.

Profit vs. Shariah rules? Profit wins

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I have to start off by saying that, during my career in Islamic banking, there was only one occasion that I actually had to read the Shariah standards issued by AAOIFI — only one time over two decades of work. Of course, in the last few years I have extensively read and studied the Shariah standards — but only once did I actually have to refer to them for a specific transaction I was working on. I will come back to this point later.

Of course, the reason for this is because I worked directly with scholars — either with the Shariah supervisory board (SSB) of the banks that I worked at (UBS, Credit Agricole and JPMorgan), or with the SSB of my clients, which were Islamic banks. All the contracts and structures were approved by them. But this was done without me having to refer to the Shariah standards. There was no need for me to refer to AAOIFI standards, because the scholars themselves provided the approval.

My experience in contracts and transactions is not peripheral — I had to create these transactions from scratch at every bank I worked at. That means not only agreeing a Shariah compliant structure with my SSB but also taking into account all other implications that are necessary for the successful delivery and execution of a product.
This includes all operational elements, execution procedures, risk management, booking of trades, settlement and, of course, the creation of a legal contract. I had to do this for a wide range of products including money markets, investments, funds, structured notes, syndicated finance, structured commodity finance, working capital loans, Sukuk (both equity-linked and debt products), derivatives (forwards, options, embedded into medium-term notes), profit rate swaps and anything else the banks wanted to do.

The point to be made here is that my experience is wide, and my knowledge had to be very deep to enable the successful delivery of these new products to my clients. And at every step of the way, working intimately and directly with scholars and SSBs.

It was clear to me, at a very early stage, that the vast majority of transactions and sectors revolve around debt. And debt has a cost that has to be paid — of course, in Islamic finance, this is not interest. It is profit, returns, distributions — whatever we want to call it.

And it should go without saying, to those who have any understanding of how the industry operates, that the return on this debt is calculated with reference to an interest rate (the London Interbank Offered Rate (LIBOR) or a variation thereof).

Once you understand, in great detail, how commodity Murabahah operates — there is no hiding place. The manipulations in the structure are clear, to ensure that debt is delivered and a profit amount paid that is calculated at LIBOR.

It is also clear that all such trading of a commodity (or any asset used in such structures) is in no way 'genuine' trading. It is very carefully controlled and organized.

It is, on the face of it, a very simple product. However, it is quite astonishing to me how even the most well-educated and experienced among us often fail to understand exactly how it works. I recall one instance, at a hearing called by the Central Bank of Bahrain, a group of senior Islamic bankers, heads of treasury and so on was summoned to discuss commodity Murabahah. I was also invited. The chair of the meeting asked the bankers to describe what happens in a commodity Murabahah transaction. Answers were volunteered by many present. All of them were wrong.

After listening to this, I had to intervene, and say that these explanations are wrong, and then proceeded to explain exactly what happens. Some of the senior bankers still disagreed with me, which was quite interesting.

This helped me to realize something — my experience forced me to have a level of understanding that is not the same as the level of understanding required by Islamic banks.

For example, an Islamic bank can simply state: "I am buying a commodity from a third party, and then selling this commodity to a client for deferred payment." This is technically correct.

However, in order for this to be able to happen, there needs to be a quite complex infrastructure behind these transactions — an infrastructure that the Islamic bank, if it so chooses, can remain ignorant of. And to be clear, it is often to the benefit of Islamic banks (and scholars) to be ignorant of these things.

To read the full report, click __here__.

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Web Exclusive

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I have to start off by saying that, during my career in Islamic banking, there was only one occasion that I actually had to read the Shariah standards issued by AAOIFI — only one time over two decades of work. Of course, in the last few years I have extensively read and studied the Shariah standards — but only once did I actually have to refer to them for a specific transaction I was working on. I will come back to this point later.

To read the full article, log on to www.islamicfinancenews.com.

Jordan: A look at the last 15 years

Since its incorporation into Jordanian law under a separate chapter in Banking Law No (28) of 2000, Islamic financing has shifted from a revolutionary financial instrument into a core division of the economy. This shift corresponded with the emergence of Islamic financing as a powerful means of funding not only in the MENA and GCC regions, but on a global scale predominantly in Asia and other continents. DANA ABDULJALEEL explores.

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The growth of Islamic banking in Jordan has been rivaled by the proliferation of another Islamic financing instrument: Sukuk. The first issuance of Sukuk in Jordan was facilitated by Al Tamimi & Co in its representation of Capital Investments which managed the closing of a JOD85 million (US$119.89 million) Sukuk Ijarah Muntahiya Bil Tamleek facility. Governmental support for the use of Sukuk was shown, among other matters, in the approval by the Cabinet of Ministers to grant a number of tax exemptions in connection with the transaction.

In 2012, the Islamic Financing Sukuk Law No (30) of 2012 (Sukuk Law) was enacted to regulate the instrumentation of Sukuk, a sign of its growing significance. The Sukuk Law has since been supplemented by numerous regulations and instructions governing Sukuk contracts, the incorporation of the Sukuk issuer and the listing of Sukuk on the Amman Stock Exchange.

Over the last decade, the focus of the legislature has included greater emphasis on the due regulation and governance of Islamic financial instruments. The Instructions for Corporate Governance of Listed Shareholding Companies of 2017 (Corporate Governance Instructions) include within their scope Islamic banks. The Corporate Governance Instructions regulate internal procedure mapping and the composition and role of the board of directors in setting strategies, policies, plans and procedures to the benefit of the bank and its stakeholders.

The Corporate Governance Instructions require the establishment of four permanent committees, including a risk management committee. The Corporate Governance Instructions also require all board members to possess financial and accounting knowledge, as well as allocating to the board committees their respective functions and capacities. Legislative enactments like the Corporate Governance Instructions catalyze the progress of Islamic financing by standardizing internal regulation with measures potentiating efficient management.

> ***“SMEs are increasingly opting for Islamic financing for capital subsidies given the lower risk offered by Islamic banks and the increasing availability of Islamic financing in Jordan”***

Beyond the legal realm, Islamic financing in Jordan has charted internationally with the exceptional figures it produced. The Global Islamic Finance Development Indicator 2018 (IFDI) ranks Jordan, pertaining to Islamic financing and among a sample of 131 countries, as first in corporate social responsibility (CSR), disbursing a total of US$73 million in CSR funds, third in education on Islamic financing, fourth in knowledge and sixth most developed by means of its Islamic financing market.

With Islamic financial institutions currently upholding a stable and powerful stature in the Jordanian banking market, conventional banks are also building their Shariah compliant banking businesses. The relatively low number of Islamic banks in Jordan should not be taken as representative of their legal and economic impacts, a remark confirmed by Saudi Arabia, the second most developed country by means of its Islamic finance market and as ranked by the IFDI, having a total of only 16 Islamic financial institutions.

Another prominent advantage of Islamic financing that has come to light over the past decade is the consistency of Islamic banks in adopting a distinctively high moral standard, more apt at managing risks. This creates more sustainable customer relationships and more importantly, a more sustainable economy. SMEs are increasingly opting for Islamic financing for capital subsidies given the lower risk offered by Islamic banks and the increasing availability of Islamic financing in Jordan; therefore potentiating more business operations, a crucial accelerator to Jordan’s growing economy.

Looking ahead, technology is exponentially disrupting the traditional banking industry with online banking gaining momentum as a staple service within the market. Islamic financing has not only survived the introduction of this instrument, but has embraced it through digitized banking services. Although not yet directly translated into the Jordanian market, these developments illustrate the adaptation of Islamic financing in today’s digital era with digital products and online services facing unprecedented demand levels.

The evolution of Islamic financing in Jordan has not only matched global reliance on it, but also solidified Jordan as a serious competitor within the Islamic financing market. The legal framework and demographic statistics supporting the growth of Islamic financing show that the past decade and a half has paved the path for sustainability and development of the Islamic financing sector in Jordan.

Regtech: Game-changer for Islamic finance

The lack of regulation and supervision in the financial markets that prevailed before 2007–08 accelerated the emergence of the factors that caused the financial crisis. As a reaction to this situation after the crisis, very detailed regulations and comprehensive supervision schemes emerged. The abundance of regulations and data affected the effectiveness of financial institutions, where it became practically impossible for financial institutions to leave their regulatory compliance task to human power alone. Today's disruptive technology proposed a solution to find a cure to this superhuman compliance requirement. The name of this solution builder is regtech. What is regtech? More importantly, how can regtech be used for Islamic finance? VOLKAN CELEN finds out.

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What is regtech?

Being in full compliance with all the regulations requires allocation of significant time and money for players operating in the financial markets. While the scope of regulations applicable as of today creates a mission impossible to manage without the help of technology, financial institutions will spend more money and time on compliance with regulations as such regulations become more and more complicated every day.

At this point, a tech solution for regulatory compliance that may make life easier for financial institutions has emerged. Regtech is the name of the field of technology that looks deeper into the issue of regulatory compliance and produces different tech solutions to facilitate such a burdensome compliance mechanism.

Regtech has primarily emerged to enable financial institutions to provide their regulatory authorities with the necessary information and documents required under the regulations in a timely manner and with minimal cost.

According to the World Bank Group 2019–20 Global Financial Development Report titled 'Bank Regulation and Supervision a Decade after the Global Financial Crisis', regtech can be applied to regulatory reporting; risk management; identity management and control; compliance; transaction monitoring; and trading in financial markets.

Regtech hands over the reporting task carried out by human power to computers with the goal of both full compliance and saving time and money.

What is regtech's importance for Islamic finance?

Today, one of the most pronounced challenges of the Islamic finance industry is the lack of harmonization of the processes required to verify the Shariah (Islamic law) compliance of Islamic financial instruments.

Most Islamic financial institutions verify Shariah compliance of their Islamic financial instruments through their in-house review committees. Financial institutions that do not have an in-house review committee can receive this service from Shariah advisory firms that provide Shariah consultancy.

Therefore, the fact that each institution is relying on its own review committees and advisory firms consisting of different scholars for Shariah review, as well as the fact that the decisions of these committees and firms do not have the power to form any precedent, makes it impossible to constitute the harmonization of Shariah review.

Apart from the diversity of authorities, the differences between the views of different schools on Islamic finance persist. Different schools can interpret the same issue in different ways and reach different conclusions, as well as different approaches to the same issue may be seen within the same school.

Above all, a Shariah committee which has followed a particular school on a subject can change its view in another similar transaction and adopt a completely different view.

For these reasons, subjecting the Shariah compliance of Islamic financial transactions purely to the human factor may result in the same transaction being subject to different standards. This is where regtech proposes a solution that can come into play.

How can regtech help harmonize the Shariah review process?

Regtech has emerged with the aim of transferring the regulations from a paper to a digital environment and ensuring the automation of financial institutions' compliance with these regulations.

The same objective can be applied to the process of verifying the conformity of Islamic financial transactions with the Shariah. Accordingly, Islamic finance rules that apply to Islamic finance instruments can be translated into digital languages. Software that will include such rules can apply these rules to all Islamic finance transactions submitted by a financial institution.

The software that will carry out this test can inform the relevant Shariah committee (in-house or external) if there are any issues that may constitute a red flag on Shariah compliance.

It should be noted in particular that this system will not take Shariah scholars out of the Islamic finance industry, but will make their role even more crucial.

Shariah committees will no longer need to spend their time with the review of ordinary Islamic finance instruments, but will be able to devote their time to the development of Islamic finance through innovation.

This solution can literally create a win-win situation:

- The automation of the Shariah

Continued

compliance process will reduce transaction costs and benefit investors.

- Shariah scholars will be able to devote their time to more valuable innovation projects.
- The automation of the Shariah compliance process will ensure that the same standards are applied to the same issue and that a certain degree of harmonization is achieved in the Shariah review process.

What is the first step to make this solution possible?

While regtech has great potential as an idea, a successful implementation has a very important prerequisite: the harmonization of rules to be applied.

Dr Mohamed Damak, the senior director and global head of Islamic finance (financial services research) at S&P Global Ratings stated that: "Regtech could help the industry achieve more compliance with general banking regulations and Shariah-specific rules, assuming there are globally or regionally agreed Shariah standards."

Computers are fast and cost-efficient in utilizing the information given to them and applying them to the Islamic finance transaction at hand. However, if the rules to be applied were not collected in a single pot, regtech would not be as effective.

Therefore, the rules to confirm the Shariah compliance of Islamic finance transactions should be harmonized. Looking at today's practice of Islamic finance, expecting this harmonization to take place globally can be an ambitious target in the first place.

However, if this harmonization can be achieved, at least at a regional level in the beginning, the efficiency provided by regtech can lead to a greater leap than ever for Islamic finance.

This article should not be reported as reflecting the views of the World Bank Group and the Multilateral Investment Guarantee Agency. The views expressed in this article are strictly those of the author and do not necessarily represent the views or policies of the World Bank Group and the Multilateral Investment Guarantee Agency.

The next step toward more modern Shariah pension fund management

As a new institution supervised by Otoritas Jasa Keuangan (OJK), regulation of Shariah pension funds has been carried forward through more regulations issued. OJK produced regulations on the business operation of Shariah pension funds in 2016 while for other provisions, Shariah pension funds should comply with the regulation formulated for convensional pension funds as long as they do not violate the Shariah principles. One of the regulations which also apply to Shariah pension funds is the regulation on the governance of pension funds. ASEP HIKAYAT writes.

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The governance regulation on pension funds was first issued and implemented in 2006. One of the reasons why this regulation was issued is to make sure that pension funds are profesionally managed. This regulation consists of the general regulation on governance, namely transparancy, accountability, responsibility, independency and fairness. The regulation also discusses the role, responsibilties and authority of the employer, the board of directors and the supervisory board. Moreover, the regulation formulates 16 guidelines on governance that should be set and implemented by all employer pension funds.

Upon the implementation of the governance regulation, all employer pension funds should set and implement guidelines, namely on (1) accounting, (2) investment, (3) internal control system, (4) code of ethics and behavior, (5) job desk of the organization, (6) procurement, (7) decision-making, (8) services to participants, (9) correspondence, (10) information systems, (11) asset and investment disposal/write-off , (12) budgeting, (13) taxation, (14) risk management, (15) funding and (16) filing.

The attachment of the regulation shows the table of contents which also describes the minimum guidelines that should be set and implemented by all employer pension funds. On the other hand, financial institution pension funds should not comply with this regulation. The founder of a financial institution pension fund is a bank or life insurance. Moreover, the operation of financial institution pension funds is under the bank or life insurance supervision. Therefore, the governance of financial institution pension funds will be based on the bank or life insurance governance.

In 2016, the regulaton on pension funds was converted from a capital market and financial institution supervisory agency decree to an OJK regulation. The content of the regulation remained the same especially on the infrastructure that should be set and implemented by pension funds.

OJK has issued a new regulation on pension fund governance in 2019. The main reason for issuing the revised regulation is to strengthen the implementation of pension fund governance. Moreover, the revision is also to adopt governance practice from other financial institutions. The new regulation should also be set and implemented by financial institution pension funds while the previous regulation is only applicable to employer pension funds.

The general regulation on governance remains as the umbrella of the regulation while 16 guidelines are not included; rather this regulation decribes some aspects that should be set and implemented in pension fund governance. The role of board members is briefly described such as the minimum number in the board of directors, supervisory board and Shariah supervisory board. Moreover, the qualification of all board members is also discussed including their authority and responsibilities. The new regulation suggests that the supervisory board should appoint a committee to support pension fund governance. The board could establish three committees: audit committee, risk monitoring committee, and remuneration and nomination committee.

The use of the services of an external auditor and actuary is also regulated to ensure the implemetation of pension fund governance. The important considerations in appointing an external auditor and actuary by the supervisory board are that the external auditor and actuary should provide their services independently and transparently. Other aspects of the pension fund governance are remuneration, investment, information technology, risk management, internal control, business plan and business ethics. In general, these aspects are more or less similar to some of the 16 guidelines mentioned in the previous pension fund governance regulations.

Shariah pension funds by the end of 2019 should have started setting and implementing all provisions stated by the new regulation in accordance with the type of Shariah pension fund program. Firstly, evaluation should be carried out to identify the infrastructure owned by the Shariah pension funds so that Shariah pension funds could identify the governance aspects that do not meet the requirements of the regulation. Secondly, Shariah pension funds should set a time frame to fulfill the requirements. Thirdly, Shariah pension funds should fully implement the governance regulation. Moreover, Shariah pension funds should also carefully explain all the strategic planning, including the implementation of the regulation, in their business plan for 2020 which was to be submitted to OJK on the 30th November 2019.

OJK will suprvise the implemetation of the governance regulation. If a Shariah pension fund could not meet the provisions in this regulation, it will increase governance risk which may affect other risks within the risk-based superivision framework. On the other hand, the more implemented provisions that are adopted by Shariah pension funds, the lower the governane risk will be which will result in lower total risk for Shariah pension funds. The supervision and action of Shariah pension funds are then applied based on the level of the risk combined with the impact of Shariah pension funds on the Shariah pension fund industry as a whole.

DEALS

CIAF Leasing to issue Sukuk in February

EGYPT: Aircraft leasing company CIAF Leasing will issue Egypt's first corporate Sukuk in February, while Talaat Moustafa Group will sell a Sukuk facility most probably in March or April, Mubasher reported citing Sayed Abdel Fadil, the head of the central department for corporate finance at the Financial Regulatory Authority. It was **previously reported** that CIAF Leasing is looking to raise US$50 million through Sukuk.

BNM issues Islamic facilities

MALAYSIA: Bank Negara Malaysia (BNM) has issued three Islamic facilities for RM20.04 billion (US$4.9 billion), according to separate statements.

BNM also sold four Islamic papers for RM24.15 billion (US$5.92 billion).

BNM further placed three Islamic money market instruments worth RM23.98 billion (US$5.86 billion) and another two Islamic money market instruments worth a total of RM19.66 billion (US$4.8 billion).

BNM in addition sold three Islamic papers for RM17.21 billion (US$4.18 billion).

The Power Division plans to issue Sukuk

PAKISTAN: The Power Division of the Pakistani government will arrange an open competitive bidding within the next two to three days to raise PKR200 billion (US$1.29 billion) under Sukuk-II from banks or a consortium of banks at the lowest interest rate. The amount will be utilized for partial cash settlement of the circular debt that has risen to PKR1.7 trillion (US$10.97 billion) in total, which is 4% of the GDP of Pakistan, The News International reported.

Turkish Treasury sells two-year Sukuk facility

TURKEY: The Turkish Treasury has issued a two-year Sukuk facility with a six-month 4.88% periodic rent rate, Reuters reported.

CBK sells Tawarruq papers

KUWAIT: The Central Bank of Kuwait (CBK) has auctioned conventional bonds and related Tawarruq facilities worth KWD200 million (US$656.51 million), carrying a profit rate of 2.75%, according to an announcement. The facilities received bids worth KWD2.76 billion (US$9.06 billion).

STSSB issues ICPs

MALAYSIA: Sunway Treasury Sukuk (STSSB) has issued two Islamic commercial papers (ICPs) for a total of RM125 million (US$30.62 million), according to announcements.

STSSB also placed a one-month ICP structured under the Mudarabah concept worth RM150 million (US$36.6 million). The paper will mature on the 3rd March 2020.

CBI auctions 91-day Islamic certificates

IRAQ: The Central Bank of Iraq (CBI) has floated 91-day CBI certificates worth IQD50 billion (US$41.66 million). The apex bank received two bids amounting to IQD40 billion (US$33.33 million), according to a statement. The certificates, which were auctioned on the 27th January 2019, carry an average yield of 1.7%.

CBG bags mixed demand for Sukuk Salam

GAMBIA: The Central Bank of Gambia (CBG) has sold three-month and six-month Sukuk Salam papers worth GMD10 million (US$194,409) each, as well as a one-year GMD20 million (US$388,819) Sukuk Salam facility on the 29th January 2020, according to a statement.

The three-month paper was undersubscribed while the six-month and one-year facilities were oversubscribed.

RH Consortium issues Sukuk

MALAYSIA: Perak-based developer RH Consortium, which aims to go public in the next three to five years to enable it to acquire more land and expand its development in the state, has issued Sukuk worth RM200 million (US$48.9 million), The New Straits Times reported.

AEON Company prints one ICP

MALAYSIA: AEON Company has printed one 28-day Islamic commercial paper (ICP) worth RM300 million (US$73.35 million), according to an announcement.

Indonesia lists five Shariah securities

INDONESIA: Five sovereign Shariah securities worth a total of IDR8 trillion (US$584.77 million) have been listed on the Indonesia Stock Exchange, according to a statement.

Maybank Islamic issues ICPs

MALAYSIA: Maybank Islamic has issued two Islamic commercial papers (ICPs) structured under the Murabahah–

DEAL TRACKER Full Deal Tracker on page 37

EXPECTED DATE	COMPANY / COUNTRY	SIZE	STRUCTURE	ANNOUNCEMENT DATE
February 2020	CIAF Leasing	US$50 million	Sukuk	29th January 2020
TBA	Al-Arafah Islami Bank (Bangladesh)	BDT5 billion	Sukuk Mudarabah	28th January 2020
TBA	Top Glove Corporation	TBA	Sukuk	24th January 2020
2020	Indonesia	IDR27.35 trillion	Sukuk	24th January 2020
2020	Saudi Arabia	US$4 billion	Sukuk	23rd January 2020

Wakalah concept — a four-month paper worth RM700 million (US$170.8 million) and a seven-month facility worth RM500 million (US$121.99 million) — on the 3rd February, according to separate statements.

The ICPs, both rated 'P1' by RAM Ratings and arranged by Maybank Investment Bank, will mature on the 8th June 2020 and the 7th September 2020 respectively.

Bangladesh places BGIIB

BANGLADESH: Bangladesh Bank has sold a six-month Bangladesh Government Islami Investment Bond (BGIIB).

According to an announcement, the issuance received eight bids worth BDT3.3 billion (US$38.19 million) and all the bids were accepted. The profit-sharing ratio of the accepted bids was 90:10.

AFRICA

Bank Assafa upgrades iMAL core banking platform

MOROCCO: Bank Assafa has gone live with the latest version of Path Solutions's iMAL core banking platform, according to a statement.

Al Khaleej Bank picks iMAL platform

SUDAN: Sudan's Al Khaleej Bank has implemented Path Solutions's Islamic core banking platform, iMAL, according to a statement.

Panglobe Company plans Islamic bank in Somaliland

SOMALIA: Thailand's Panglobe Company is planning to establish an Islamic bank in Hargeisa, Somaliland, the Sun reported. The central bank is reportedly welcoming of the investment by the firm.

The bank will focus on the development of agriculture, water, soil science and climate technology.

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ASIA

Agrobank targets financing growth

MALAYSIA: Shariah compliant Agrobank is targeting a minimum of RM1 billion (US$244.73 million) financing growth for the financial year ending the 31st December 2020 over last year's RM11.75 billion (US$2.88 billion) financing disbursement, Bernama reported.

SECP updates AML/CFT regulations

PAKISTAN: To further strengthen its anti-money laundering/counter financing of terrorism (AML/CFT) regime, the Securities and Exchange Commission of Pakistan (SECP) has proposed certain amendments in the AML/CFT regulations, 2018 in line with the Financial Action Task Force recommendations and international best practices, according to a statement.

SBP revises financing limit for ILTFF

PAKISTAN: The State Bank of Pakistan (SBP) has announced in a statement that, with a view to further promoting investment in export-oriented projects, the scope of the Islamic long-term financing facility (ILTFF) has been extended to all sectors, which is allowed as per the Export Policy Order issued by the Ministry of Commerce from time to time.

In addition, the maximum financing limit for a single project under the ILTFF has been increased from PKR2.5 billion (US$16.11 million) to PKR5 billion (US$32.23 million) for new projects and upgrade of projects.

Three banks keen on Philippines's Islamic banking

PHILIPPINES: Three banks have expressed interest in venturing into the Islamic banking sector in the Philippines as the Bangko Sentral ng Pilipinas opened the sector to new players, The Philippine Star reported.

Half of Malaysia's banking assets to be Islamic

MALAYSIA: Half of Malaysia's banking assets can be expected to be Islamic by 2030, reported Bloomberg, citing Adissadikin Ali, the president of the Association of Islamic Banking and Financial Institutions Malaysia.

Shariah compliant financings are set to increase by 10–15% annually over the next five years, outpacing the 5–7% growth seen for non-Islamic loans, Adissadikin said.

EUROPE

Gatehouse Bank joins MCI Club panel

UK: Gatehouse Bank has joined the lender panel of MCI Club, a mortgage club that works with UK professional mortgage intermediaries, according to a press release. The arrangement gives panel members direct access to the Islamic bank's rates of buy-to-let and Shariah compliant home finance products.

ADIB UK finances real estate deals

UK: Abu Dhabi Islamic Bank UK (ADIB UK) has provided a combined AED320 million (US$87.1 million) Shariah compliant structured financing for a private Abu Dhabi-based client to refinance a AED900 million (US$244.97 million) prime central London healthcare facility and a private Bahrain-based client for the acquisition of a AED55 million (US$14.97 million) logistics hub in Edinburgh, according to a statement.

GLOBAL

Spud Energy secures Islamic financing

GLOBAL: Spud Energy, a wholly-owned subsidiary of Canada's Jura Energy Corporation, has announced in a press release that it has extered a long-term syndicated term finance agreement in Pakistan consisting of an Islamic diminishing Musharakah facility worth PKR450 million (US$2.91 million) and a syndicated conventional term finance facility worth PKR1.55 billion (US$10.02 million).

Al Baraka Bank Pakistan will be the sole participant in the Islamic component, while Askari Bank and JS Bank will participate in the conventional component. Proceeds from the facilities will be used to refinance Spud Energy's existing finance facilities and fund its capital expenditures.

UAE and Luxembourg discuss Islamic finance memorandum

GLOBAL: The UAE's minister of state for financial affairs, Obaid Humaid Al Tayer, and Luxembourg's minister of finance, Pierre Gramegna, have discussed

ways to activate the Islamic Economic Memorandum concluded between the two parties, according to a press release.

This memorandum aims to strengthen cooperation and joint work, enhance knowledge-sharing in Islamic banking and finance, develop standards for Islamic banking and the financial services sector and its products, as well as establish a model environment for governance.

IsDB launches internal innovation competition

GLOBAL: The Science Technology and Innovation Department of the IsDB has launched an internal competition within the bank, inviting all staff of IsDB Group entities to suggest innovative ideas that will transform the working environment of the bank into a healthy, conducive and collaborative one, according to a press release.

Serunai Commerce partners with IsDB

GLOBAL: Serunai Commerce has been appointed by the IsDB to develop a digital Halal ecosystem and it is likely to issue a security token to finance its expansion, Salaam Gateway reported.

IsDB calls for proposals on cancer prevention

GLOBAL: The IsDB has launched a call for innovation to identify, encourage and reward innovative proposals for strengthening national health systems in the area of breast and cervical cancer prevention, early detection, diagnosis and treatment by expanding and scaling up capacities for effective, safe and sustainable cancer services. Proposals can be submitted until the 10th March 2020.

This initiative provides an opportunity for innovators to compete for four awards provided by the IsDB with a total value of US$200,000 to winners in two categories, namely the low-cost early detection and diagnostic solutions category which is composed of two prizes of US$50,000 for each, and the capacity-building projects category, which also includes two prizes worth US$50,000 each, according to a statement.

MIDDLE EAST

DFSA joins IOSCO Enhanced MMoU

UAE: The Dubai Financial Services Authority (DFSA) has been accepted as a signatory to the IOSCO Enhanced Multilateral MoU (Enhanced MMoU), which enhances information-sharing and cooperation between IOSCO members, according to a statement.

KFH plans to sell assets

KUWAIT: Kuwait Finance House (KFH) is considering disposing about KWD100 million (US$328.41 million)-worth of assets in 2020 as it finalizes the acquisition of Bahrain's Ahli United Bank, Reuters reported citing Mazin Al-Nahedh, CEO of KFH. It was reported that no profit would likely be made from the exits.

Maisarah finances paper factory

OMAN: Maisarah Islamic Banking Services and Keryas Paper Industry have signed an MoU to finance a paper factory of Keryas Paper Industry, according to a press release.

Keryas Paper Industry will be the first Kraft Paper Manufacturing Mill in the Sultanate. The project will be located over a 60,000 square meter piece of land in Sohar Industrial Area with a daily capacity of 600 tons per day. Keryas Paper Industry will have an annual capacity of approximately 198,000 tons per annum. The factory is expected to be completed in the last quarter of 2020 and is expected to run on the 1st January 2021.

DIB to cut over 500 jobs at Noor Bank

UAE: Dubai Islamic Bank (DIB) could cut more than 500 jobs at its newly acquired Noor Bank as part of cost-reduction efforts, Reuters reported, citing sources close to the matter. The source added that job cuts will be on both sides, but DIB is the buying side so it is likely that cuts will be more on Noor Bank.

Alizz Islamic Bank invests in Al Hadeetha Resources

OMAN: Alizz Islamic Bank will invest OMR10 million (US$25.9 million) into Al Hadeetha Resources for the development of the Al Wash-hi–Majaza Copper Project repayable by Al Hadeetha, according to a statement.

The profit rate for Alizz Islamic Bank is in the range of 5.92% to 6.92% per annum, reviewable annually. The investment will be applied principally to support the construction of mine-site infrastructure for a one million ton per annum copper processing plant at the project.

Bank Nizwa receives ISO certification on cybersecurity

OMAN: Shariah compliant Bank Nizwa was recently awarded the ISO 27001:2013 certification as it met all levels of confidence in information security management, becoming the first and only Islamic bank in the Sultanate to achieve this internationally recognized standard, according to a press release.

Dubai Aerospace Enterprise secures Islamic financing

UAE: Dubai Aerospace Enterprise has signed a US$300 million five-year dual tranche unsecured term financing facility with Emirates Islamic and Emirates NBD Capital, according to a press release.

The facility will contain a conventional and an Islamic tranche and can be upsized to US$600 million. The facility will support the future financing needs of Dubai Aerospace Enterprise's business.

ASSET MANAGEMENT

PMB Investment to sign MoU with BSN

MALAYSIA: Shariah compliant PMB Investment will sign an MoU with Bank Simpanan Nasional (BSN) as an institutional unit trust advisor on the 4th February 2020, according to a statement.

Alkhabeer REIT plans capital increase

SAUDI ARABIA: Alkhabeer REIT has announced in a bourse filing its intention to increase the total value of the fund's assets by approximately 51.6% in cash and in kind to acquire two properties in Riyadh and the Eastern Region.

This exercise is subject to the necessary approvals.

Mulkia Gulf Real Estate REIT Fund to increase capital

SAUDI ARABIA: Mulkia Investment Company has announced in a bourse filing that the terms and conditions for its Gulf Real Estate REIT Fund are available, to enable unit owners to vote on the company's decision to increase the fund's capital from SAR600 million (US$159.71 million) to SAR681.09 million (US$181.29 million) through the acquisition of Elite Mall.

Emirates REIT holds interim dividend

UAE: Shariah compliant Emirates REIT has announced that it would hold the discretionary interim dividend due to the uncertainties in the real estate market and the significant receivable from Jebel Ali School, one of its long-term tenants, according to a bourse filing.

Jebel Ali School is fully operational, but recently missed rent payments. Emirates REIT has conducted active discussions with the school's management to solve the issue amicably but, at this time, no agreement has been concluded and further steps are being taken. Therefore, taking a prudent approach, it was decided to hold the discretionary interim dividend distribution.

Al Jazira Mawten REIT signs lease agreement

SAUDI ARABIA: Shariah compliant Al Jazira Mawten REIT has signed a two-year lease agreement to rent a warehouse for an annual rent price of SAR853,656.8 (US$227,433), according to a bourse filing.

TAKAFUL

Saudi Enaya covers International Medical Center

SAUDI ARABIA: Saudi Enaya Cooperative Insurance Company will provide medical insurance services for one year to International Medical Center's employees and their family members, according to a bourse filing. The contract is worth more than 5% of the operator's total revenues for the 2018 fiscal year.

Metlife AIG ANB announces creditors' objection period

SAUDI ARABIA: Metlife AIG ANB Cooperative Insurance has announced in a bourse filing the start of the one-month creditors' objection period, which will end on the 27th February 2020, for its merger with Walaa Cooperative Insurance Company.

Iran's insurance industry has vast coverage

IRAN: Iran's insurance industry has a vast coverage of goods and services worth a total of US$500 million, the Securities and Exchange News Agency reported.

Wafa Insurance fails to publish preliminary results

SAUDI ARABIA: Saudi Indian Company for Cooperative Insurance, also known as Wafa Insurance, was unable to publish its preliminary financial results for the period ending the 30th June 2019, and the initial period for the period ending the 30th September 2019 on the Saudi Stock Exchange website (Tadawul) at the specified time.

The company expects to publish its financial results by the 31st May 2020 and the 30th June 2020 respectively.

Malaysian Takaful operators to give virus coverage

MALAYSIA: All Takaful operators in Malaysia will provide hospitalization coverage and treatment of the novel coronavirus to their policyholders, the Life Insurance Association of Malaysia (LIAM) and the Malaysian Takaful Association announced in a press release.

A majority of medical policies and certificates exclude communicable diseases that require quarantine, but Malaysian life insurers and Takaful operators are waiving the exclusion as a response to the nation's needs and the increasing number of people affected, said Mark O'Dell, CEO of LIAM.

RESULTS

QIIB

QATAR: QIIB has disclosed in a bourse filing its financial statements for the period ended the 31st December 2019, showing a net profit of QAR927 million (US$252.24 million) — an increase compared to the previous year's QAR882 million (US$240.02 million).

Kuwait Finance House

KUWAIT: Kuwait Finance House (KFH) has realized a net profit increase of 10.4% for KFH shareholders at KWD251 million (US$823.92 million) for the year 2019, compared to KWD227.4 million (US$746.45 million) last year, according to a statement.

Total assets increased to KWD19.39 billion (US$63.65 billion), which is a 9.1% increase compared with 2018.

Emirates Islamic

UAE: Emirates Islamic has announced its full-year financial results for 2019 in a statement, reporting a net profit of AED1.06 billion (US$288.54 million), an increase of 15% from the previous year and surpassing the AED1 billion (US$272.22 million) mark for the first time. Total assets grew by 11% to AED64.8 billion (US$17.64 billion).

Sharjah Islamic Bank

UAE: Sharjah Islamic Bank has recorded a 6.88% increase in its total net profit in 2019 at AED545.5 million (US$148.49 million) compared with the AED510.4 million (US$138.94 million) recorded in 2018, a statement said. The bank's total assets reached AED46.4 billion (US$12.63 billion) at the end of 2019, also an increase of 3.8% compared with the previous year's AED44.7 billion (US$12.17 billion).

Bank Al Habib

PAKISTAN: Bank Al Habib has announced in a statement its financial results for 2019, reporting a profit after tax of PKR11.17 billion (US$72.2 million) — a 32.66% increase when compared with its PKR8.42 billion (US$54.43 million) profit after tax reported in 2018.

Arab Bank Group

JORDAN: Arab Bank Group, which offers Islamic solutions, has reported a net income after tax of US$846.5 million in 2019 as compared with US$820.5 million in 2018, recording a growth of 3.2%, according to a press release.

Net income before tax grew to reach US$1.15 billion as compared with US$1.12 billion in 2018, while group equity grew to reach US$9.1 billion with a return on equity of 9.3%.

Islamic Holding Group

QATAR: Islamic Holding Group has disclosed its annual financial statements for the period ended the 31st December 2019, showing a net profit of QAR397,049 (US$108,048) — a decrease compared with the previous year's net profit of QAR417,872 (US$113,714), confirmed a bourse filing.

Bursa Malaysia

MALAYSIA: Bursa Malaysia has announced in a statement a profit after tax and minority interest of RM185.9 million (US$45.36 million) for the financial year ended the 31st December 2019, a 17% decrease from the RM224 million (US$54.65 million) posted the previous year.

RATINGS

Moody's affirms ratings on NBB and BiSB

GLOBAL: Moody's has affirmed the local and foreign currency long-term deposit ratings on National Bank of Bahrain (NBB) at 'B2/B3' and the local and foreign currency long-term issuer ratings on Bahrain Islamic Bank (BiSB) also at 'B2/B3'. According to a statement, the outlook on both banks' long-term ratings is stable.

Fitch assigns final rating to GFH Sukuk

BAHRAIN: Fitch Ratings has assigned GFH Financial Group's US$300 million Islamic certificates, which were issued through GFH Sukuk Company, a final rating of 'B/RR4', according to a statement. The final rating is in line with the expected rating assigned on the 13th January 2020 and with GFH's long-term issuer default rating of 'B'.

Jaiz Bank receives first rating from IIRA

NIGERIA: Jaiz Bank, the first Shariah compliant bank in Nigeria, has been assigned its first rating by the Bahrain-based Islamic International Rating Agency (IIRA), according to a press release.

The bank received an investment grade rating of 'BBB' for the medium to long term and 'A2' in the short term on the national scale. The IIRA also assigned the bank a foreign currency rating of 'B-/B' and a local currency rating of 'B/B' on the international scale with a stable outlook. According to the IIRA, Jaiz Bank received the positive rating due to its rapid growth, which is far above Nigeria's high inflation rates of recent years.

Fitch rates DIB and Noor Bank

UAE: Fitch has affirmed Dubai Islamic Bank's long-term issuer default rating (IDR) at 'A' with a stable outlook and upgraded Noor Bank's long-term IDR to 'A' from 'A-' and short-term IDR to 'F1' from 'F2', according to a press release.

MOVES

Bank Rakyat

MALAYSIA: Acting Managing Director **Rosman Mohamed** has been appointed as the new CEO of Bank Rakyat, effective on the 1st February 2020, Bernama reported. Following his appointment, Rosman has stepped down from his role as the Islamic bank's board member.

Bahrain Islamic Bank

BAHRAIN: Bahrain Islamic Bank (BisB) has announced the appointment of **Afnan Ahmed Saleh** as the bank's chief of human resources (HR) and administrative affairs, according to a press release. Before joining BisB as a HR manager in 2015, Afnan was previously attached to Tharawat Investment House.

AAOIFI

GLOBAL: The board of trustees of AAOIFI in a statement has announced the formation of its new technical boards, namely the Shariah board, the accounting board as well as the governance and ethics board, for a four-year term.

The Shariah board is now composed of 21 members from 14 nationalities while the accounting board and the governance and ethics board are composed of 15 members from 11 nationalities.

Al Rayan Bank

UK: Al Rayan Bank appoints **Simon Nash** as its new chief information officer, according to a statement. Directly prior to his new role at Al Rayan Bank, Nash spent a number of years as a consultant providing strategic direction on information technology security, change management and program oversight in the fintech sector.

Bahrain Fintech Bay

BAHRAIN: **Khalid Dannish** has been promoted to the position of CEO of Bahrain Fintech Bay, replacing former CEO **Khalid Saad**, effective from the 1st February 2020, according to a press release. Khalid Saad will be pursuing his own fintech ventures.

Bank of Maldives

MALDIVES: Bank of Maldives has appointed **Gulnaz Mahir** as its director of customer service, according to a press release.

State Bank of Pakistan

PAKISTAN: **Dr Murtaza Syed** has been appointed as the deputy governor of the State Bank of Pakistan for a period of three years, according to a statement. Dr Murtaza was previously attached to the IMF.

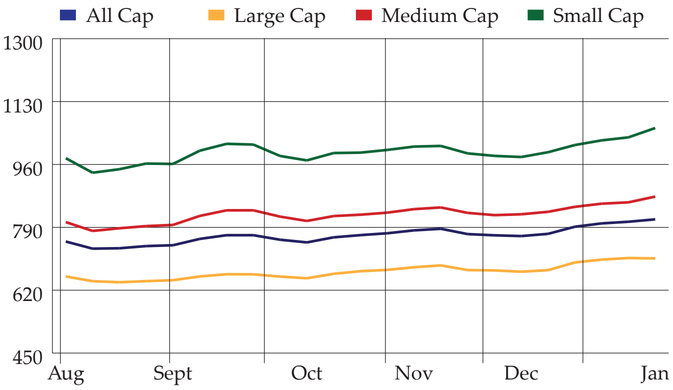
RAM Holdings

MALAYSIA: RAM Holdings has appointed **Kevin Lim** as its group CFO, effective the 1st January 2020, according to a statement. Lim was previously the general manager (strategic initiatives) and head of corporate ratings at RAM Rating Services.

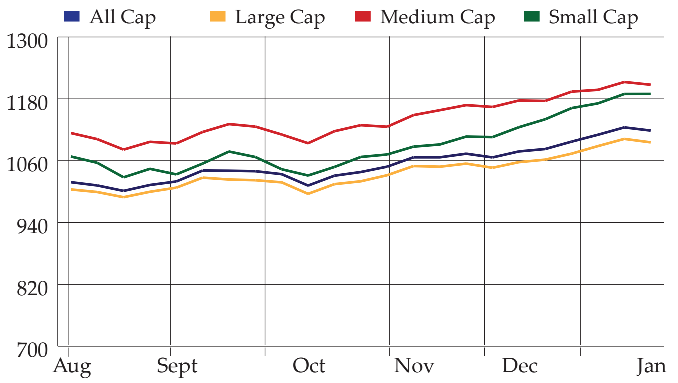
Expected date	Company/country	Size	Structure	Announcement Date
February 2020	CIAF Leasing	US$50 million	Sukuk	29th January 2020
TBA	Al-Arafah Islami Bank (Bangladesh)	BDT5 billion	Sukuk Mudarabah	28th January 2020
TBA	Top Glove Corporation	TBA	Sukuk	24th January 2020
2020	Indonesia	IDR27.35 trillion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

REDMONEY SHARIAH INDEXES

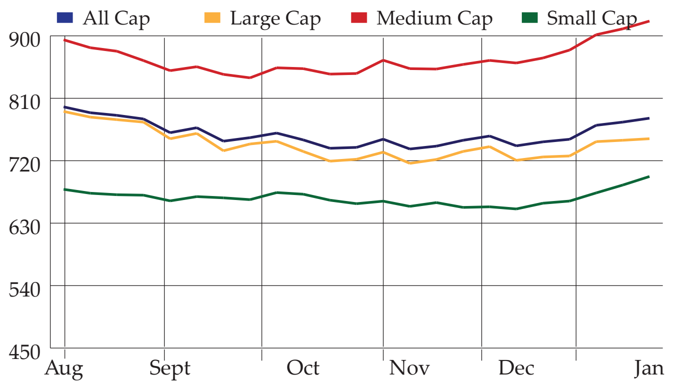
REDmoney Asia ex. Japan *6 Months*



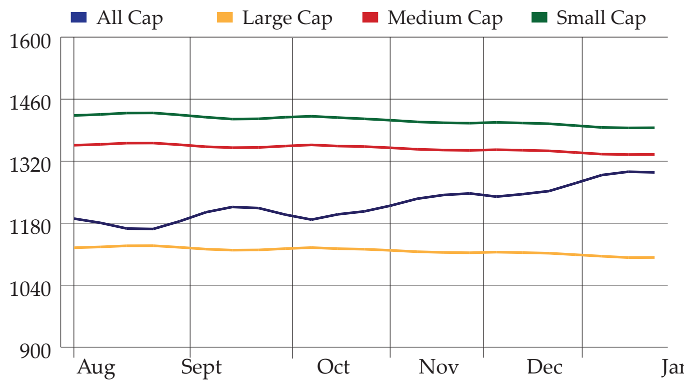
REDmoney Europe *6 Months*



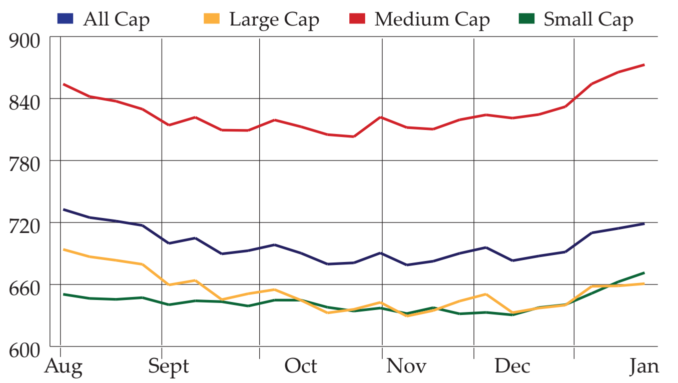
REDmoney GCC *6 Months*



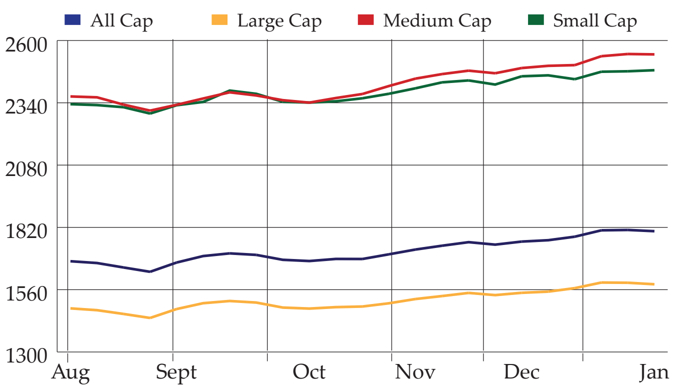
REDmoney Global *6 Months*



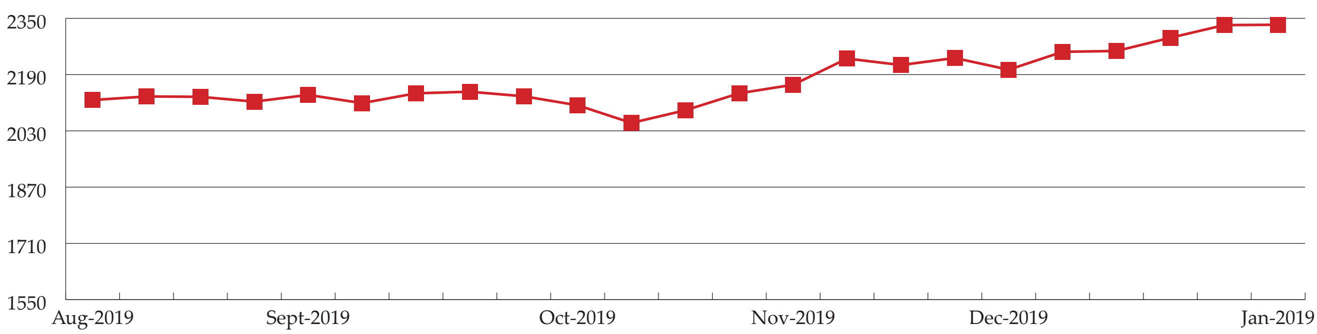
REDmoney MENA *6 Months*



REDmoney US *6 Months*

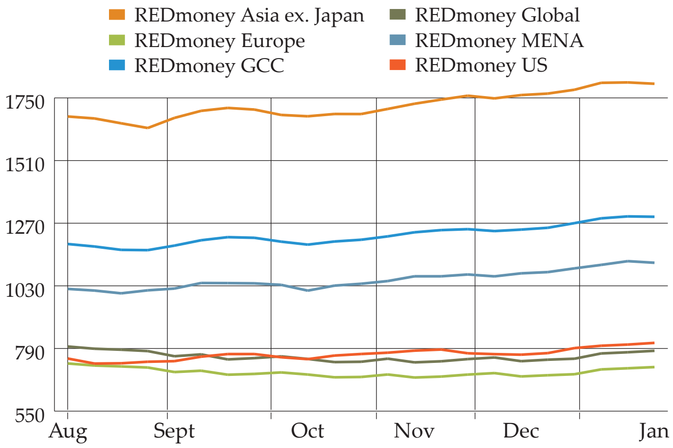


SAMI Halal Food Participation (All Cap) *6 months*

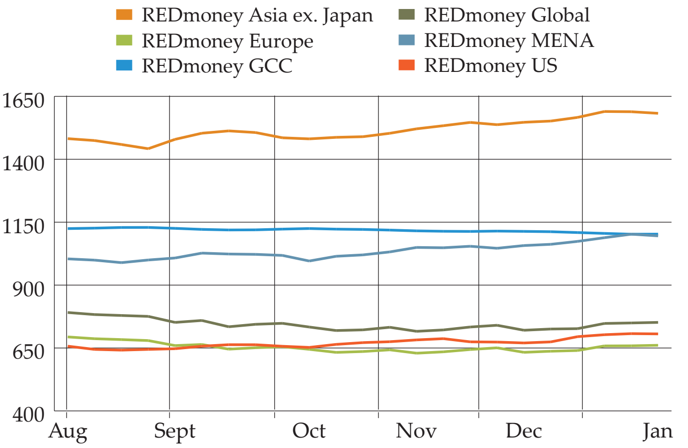


REDMONEY SHARIAH INDEXES

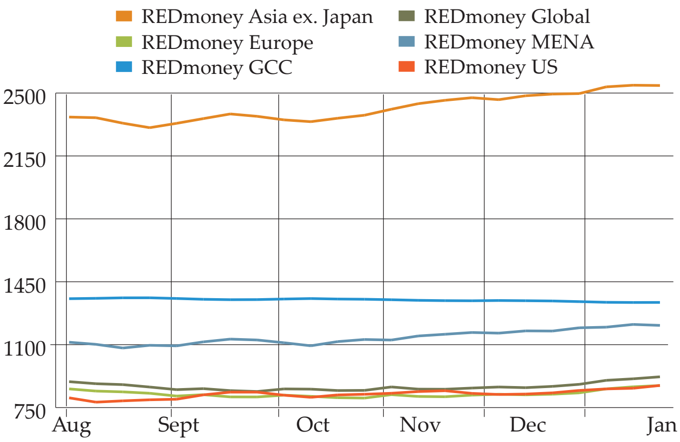
REDmoney Global Shariah Index Series (All Cap) *6 Months*



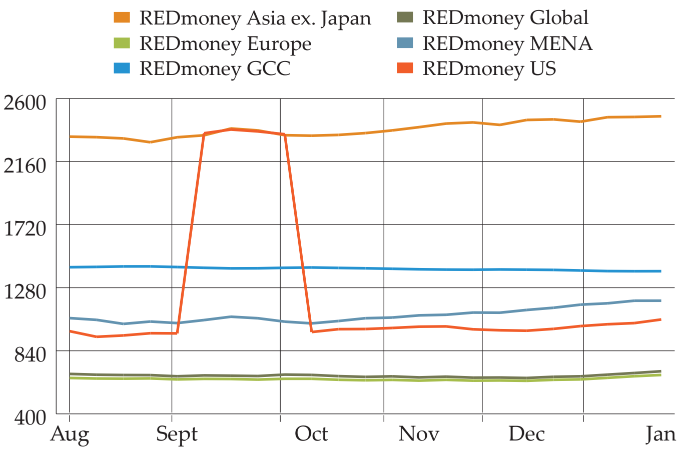
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



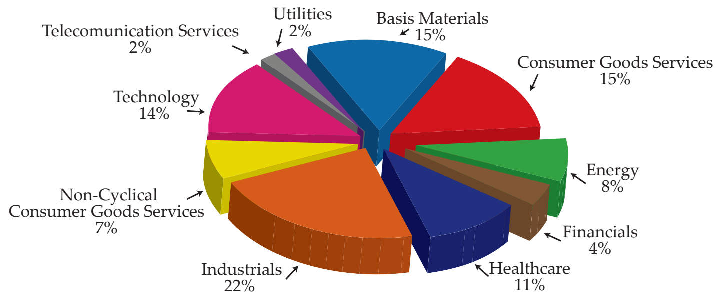
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

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

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



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

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

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

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

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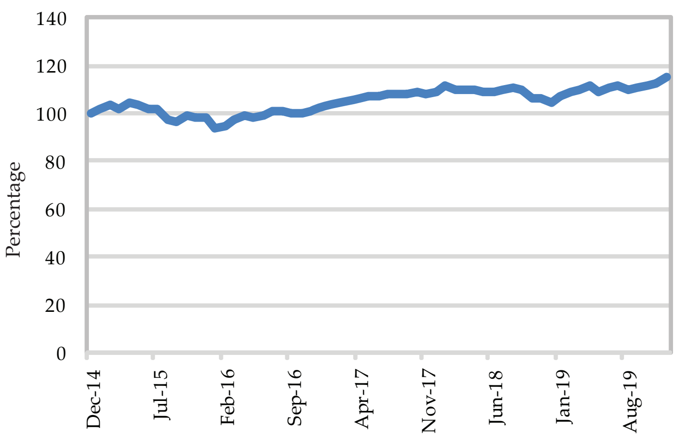
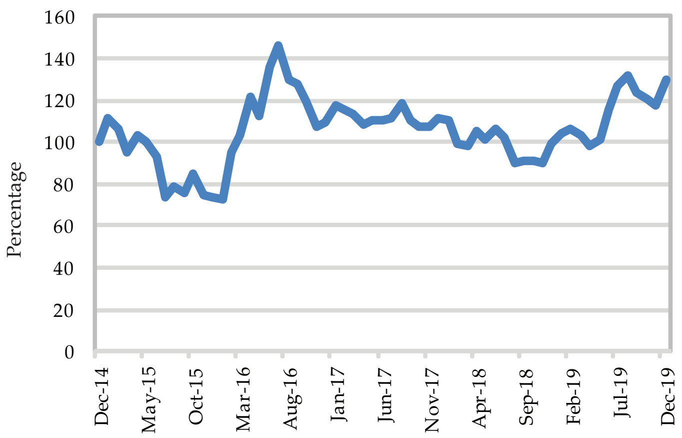
Tel +603 2162 7800

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Index



Eurekahedge Islamic Fund Gold Index



Top 10 Monthly Returns for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	10.45	Ireland
2	Jadwa Saudi Equity - ClassB	Jadwa Investment	9.59	Saudi Arabia
3	FALCOM Saudi Equity	FALCOM Financial Services	9.49	Saudi Arabia
4	AlAhli Saudi Small and Mid-Cap Equity	NCB Capital	9.06	Saudi Arabia
5	Pheim Asia Ex-Japan Islamic	PHEIM Unit Trusts	8.68	Malaysia
6	Saudi Companies	The Saudi Investment Bank	8.40	Saudi Arabia
7	Osool & Bakheet Saudi Trading Equity	Bakheet Investment Group	8.38	Saudi Arabia
8	Hang Seng Islamic China Index	Hang Seng Investment Management	7.93	Hong Kong
9	Al-Mubarak Pure Saudi Equity	Arab National Bank	7.69	Saudi Arabia
10	iShares MSCI Emerging Markets Islamic UCITS ETF	BlackRock Advisors (UK)	7.66	Ireland
	Eurekahedge Islamic Fund Index		**2.30**	

Based on 90.71% of funds which have reported December 2019 returns as at the 4th February 2020

Top 10 Annualized Standard Deviations for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Principal Islamic Deposit	Principal Asset Management	0.14	Malaysia
2	Public Islamic Money Market	Public Mutual	0.14	Malaysia
3	PB Islamic Cash Management	Public Mutual	0.16	Malaysia
4	Boubyan KD Money Market II	Boubyan Capital Investment	0.18	Kuwait
5	Boubyan USD Liquidity	Boubyan Capital Investment	0.21	Kuwait
6	Principal Islamic Money Market	Principal Asset Management	0.24	Malaysia
7	Emirates Islamic Money Market Limited Institutional Share Class I USD	Emirates NBD Asset Management	0.24	Jersey
8	FALCOM SAR Murabaha	FALCOM Financial Services	0.27	Saudi Arabia
9	Jadwa Saudi Riyal Murabaha	Jadwa Investment	0.33	Saudi Arabia
10	Rasmala Trade Finance	Rasmala Investment Bank	0.35	Cayman Islands
	Eurekahedge Islamic Fund Index		**7.65**	

Based on 90.71% of funds which have reported December 2019 returns as at the 4th February 2020

Top Annualized Returns for Islamic Gold Funds

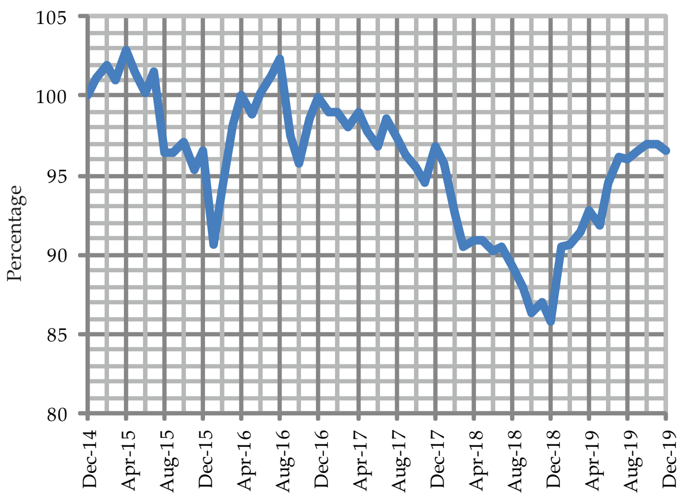
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	-3.31	Ireland
	Eurekahedge Islamic Fund Index		**5.40**	

Based on 33.33% of funds which have reported December 2019 returns as at the 4th February 2020

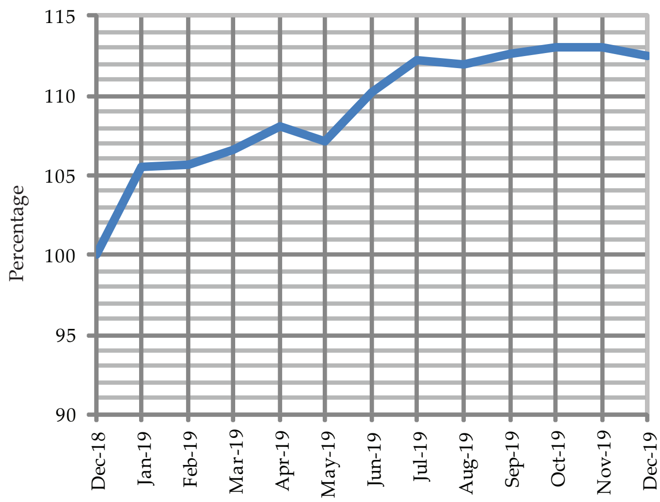
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Real Estate Index over the last 5 years



Eurekahedge Islamic Fund Real Estate Index over the last 1 year



Top 10 Yield-to-Date Return for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Qasr GCC Real Estate & Construction Equity Trading	Banque Saudi Fransi	40.08	Saudi Arabia
2	Qinvest Spyglass US Growth	Spyglass Capital Management	37.52	Cayman Islands
3	Iman - Class B	Allied Asset Advisors	34.68	US
4	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	34.26	Ireland
5	Amana Growth Investor	Saturna Capital	33.05	US
6	FALCOM Saudi Equity	FALCOM Financial Services	29.46	Saudi Arabia
7	Hong Leong Dana Makmur	Hong Leong Asset Management	29.17	Malaysia
8	Principal Islamic Small Cap Opportunities	Principal Asset Management	29.00	Malaysia
9	AlAhli Saudi Small and Mid-Cap Equity	NCB Capital	28.52	Saudi Arabia
10	Riyad Global Equity Sharia	Riyad Capital	26.42	Saudi Arabia
	Eurekahedge Islamic Fund Index		**10.05**	

Based on 90.71% of funds which have reported December 2019 returns as at the 4th February 2020

Top 10 Sharpe Ratios for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Public Islamic Money Market	Public Mutual	21.06	Malaysia
2	PB Islamic Cash Management	Public Mutual	18.24	Malaysia
3	Rasmala Trade Finance	Rasmala Investment Bank	13.54	Cayman Islands
4	Boubyan KD Money Market II	Boubyan Capital Investment	10.33	Kuwait
5	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	8.29	Pakistan
6	FALCOM SAR Murabaha	FALCOM Financial Services	6.88	Saudi Arabia
7	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	6.33	Pakistan
8	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	5.97	Pakistan
9	Boubyan USD Liquidity	Boubyan Capital Investment	5.90	Kuwait
10	International Trade Finance - (Sunbullah SAR)	Samba Financial Group	5.74	Saudi Arabia
	Eurekahedge Islamic Fund Index		**0.15**	

Based on 90.71% of funds which have reported December 2019 returns as at the 4th February 2020

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

EUREKAHEDGE

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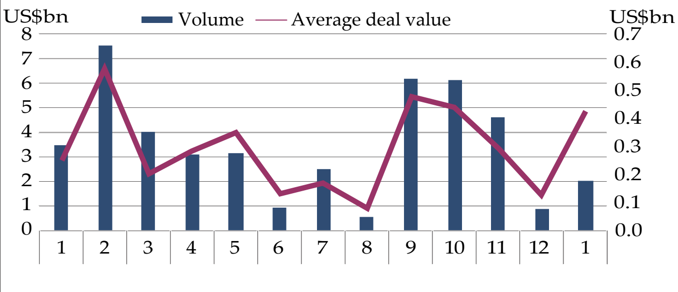
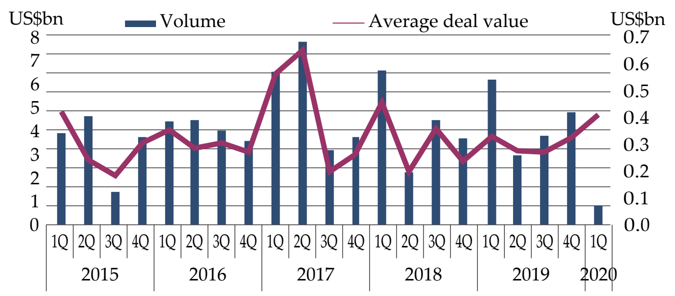
Most Recent Global Sukuk

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

Global Sukuk Volume by Month (billion)



Global Sukuk Volume by Quarter (billion)



Top 30 Issuers of Global Sukuk

12 Months

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

DEALOGIC LEAGUE TABLES

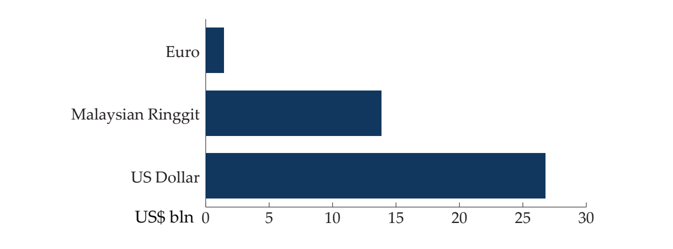
Top Global Islamic Bookrunners *12 Months*

	Bookrunner Parents	US$ (mln)	Iss	%
1	Standard Chartered Bank	5,115	36	12.29
2	Maybank	4,820	41	11.58
3	CIMB Group	3,003	41	7.22
4	HSBC	2,871	24	6.90
5	RHB Bank	2,009	26	4.83
6	Dubai Islamic Bank	1,832	18	4.40
7	First Abu Dhabi Bank	1,697	18	4.08
8	Citigroup	1,695	11	4.07
9	AmInvestment Bank	1,595	27	3.83
10	JPMorgan	1,541	6	3.70
11	Emirates NBD	1,487	17	3.57
12	Kuwait Finance House	1,385	9	3.33
13	Bank Al-Jazira	833	1	2.00
14	Gulf International Bank	789	6	1.90
15	Deutsche Bank	756	6	1.82
16	Natixis	659	3	1.58
17	Sharjah Islamic Bank	580	6	1.39
18	Mandiri Sekuritas	547	15	1.32
19	Warba Bank	478	6	1.15
20	Bank Islam Malaysia	467	2	1.12
21	National Bank of Bahrain	455	4	1.09
22	Arab Banking Corporation	440	5	1.06
23	BNP Paribas	435	4	1.04
24	SG Corporate & Investment Banking	393	4	0.94
25	QNB Capital	391	5	0.94
26	Barclays	348	4	0.84
27	Kenanga Investment Bank	347	6	0.83
28	Abu Dhabi Islamic Bank	346	5	0.83
29	National Bank of Kuwait	341	4	0.82
30	LBBW	304	2	0.73

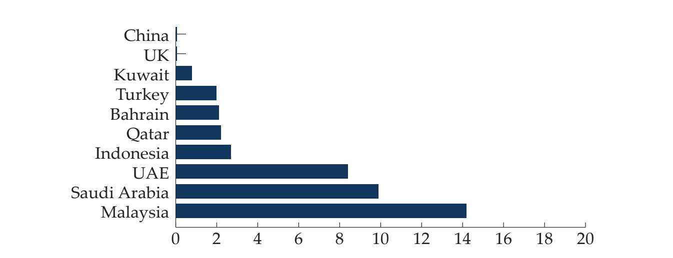
Top Islamic Finance Related Project Financing Legal Advisors *12 Months*

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	2,648	2	63.89
2	Linklaters	748	1	18.06
2	White & Case	748	1	18.06

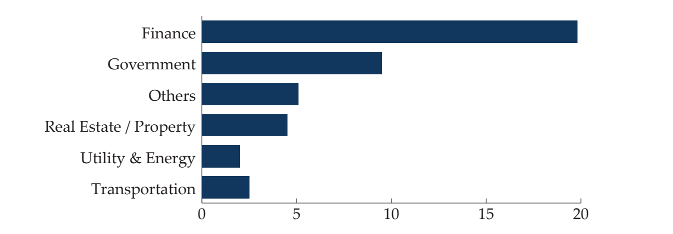
Sukuk Volume by Currency US$ (billion) *12 Months*



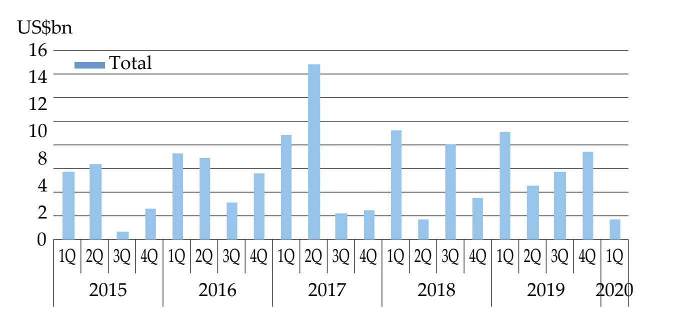
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis (billion)



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

	Mandated Lead Arranger	US$ (million)	No	%
1	National Commercial Bank	2,002	2	48.30
2	HSBC	223	1	5.37
2	Saudi Fransi Capital	223	1	5.37
4	Bank of China	120	1	2.91
4	BofA Securities	120	1	2.91
4	Citigroup	120	1	2.91
4	Credit Agricole Corporate & Investment Bank	120	1	2.91
4	First Abu Dhabi Bank	120	1	2.91
4	Mizuho Financial Group	120	1	2.91
4	NATIXIS	120	1	2.91
4	Riyad Bank	120	1	2.91
4	Sumitomo Mitsui Financial Group	120	1	2.91

DEALOGIC LEAGUE TABLES

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	Dubai Islamic Bank	1,114	10	7
2	HSBC	1,104	6	7
3	Saudi Fransi Capital	998	4	7
4	Saudi National Commercial Bank	958	4	6
5	Emirates NBD	948	10	6
6	Samba Capital	878	3	6
7	Al Rajhi Capital	868	5	6
8	Arab National Bank	675	1	4
9	Kuwait Finance House	504	2	3
10	Albaraka Banking Group	444	1	3
10	Bank of China	444	1	3
10	Garanti	444	1	3
10	Industrial & Commercial Bank of China	444	1	3
10	IS Investment	444	1	3
10	QNB Capital	444	1	3
10	Ziraat Bankasi	444	1	3
10	Turkiye Halk Bankasi - Halkbank	444	1	3
10	Turkiye Vakiflar Bankasi - VakifBank	444	1	3
19	First Abu Dhabi Bank	420	6	3
20	Riyad Bank	281	3	2
21	Mashreqbank	226	6	1
22	Albilad Capital	222	2	1
23	Abu Dhabi Islamic Bank	215	3	1
24	Standard Chartered Bank	195	4	1
25	National Bank of Kuwait	143	2	1
26	Abu Dhabi Commercial Bank	125	1	1
27	Ahli United Bank	111	3	1
28	Alinma Bank	102	1	1
28	SABB	102	1	1
30	Bank Al-Jazira	102	1	1

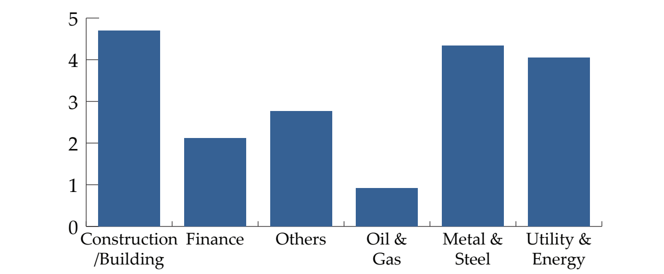
Top Islamic Finance Related Financing Bookrunners *12 Months*

	Bookrunner	US$ (mln)	No	%
1	Emirates NBD	679	7	15
2	First Abu Dhabi Bank	361	4	8
3	HSBC	336	3	8
4	Dubai Islamic Bank	332	5	7
5	Arab Banking Corporation	303	1	7
5	Gulf International Bank	303	1	7
5	National Bank of Bahrain	303	1	7
8	Abu Dhabi Islamic Bank	278	3	6
9	Al Rajhi Capital	231	2	5
10	Standard Chartered Bank	218	3	5

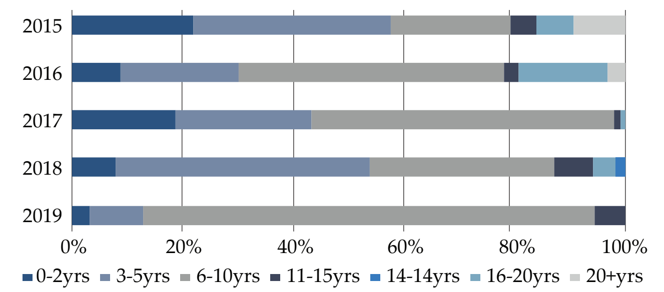
Top Islamic Finance Related Financing Deal List *12 Months*

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

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)

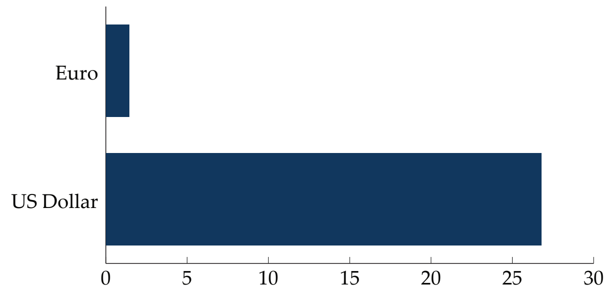


DEALOGIC LEAGUE TABLES

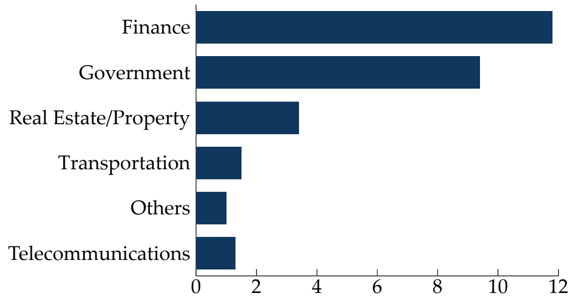
Top Global International Sukuk Managers *12 Months*

	Bookrunner	US$ (mln)	No	%
1	Standard Chartered Bank	5,038	33	17.67
2	HSBC	2,535	20	8.89
3	Dubai Islamic Bank	1,832	18	6.43
4	First Abu Dhabi Bank	1,697	18	5.95
5	Citigroup	1,695	11	5.94
6	JPMorgan	1,541	6	5.40
7	Emirates NBD	1,487	17	5.21
8	Kuwait Finance House	1,336	8	4.68
9	Bank Al-Jazira	833	1	2.92
10	Gulf International Bank	789	6	2.77
11	Deutsche Bank	756	6	2.65
12	Natixis	659	3	2.31
13	Sharjah Islamic Bank	580	6	2.04
14	Maybank	546	3	1.92
15	Warba Bank	478	6	1.68
16	National Bank of Bahrain	455	4	1.60
17	Arab Banking Corporation	440	5	1.54
18	BNP Paribas	435	4	1.52
19	Mandiri Sekuritas	400	1	1.40
20	SG Corporate & Investment Banking	393	4	1.38
21	QNB Capital	391	5	1.37
22	Barclays	348	4	1.22
23	Abu Dhabi Islamic Bank	346	5	1.21
24	National Bank of Kuwait	341	4	1.20
25	LBBW	304	2	1.07
26	Credit Agricole	295	2	1.03
27	Credit Suisse	288	3	1.01
28	Samba Capital	280	2	0.98
29	Barwa Bank	229	3	0.80
30	Mashreqbank	186	3	0.65

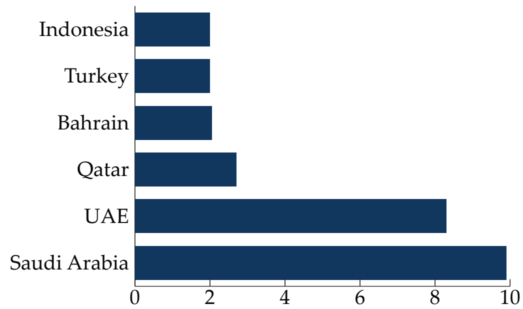
International Sukuk Volume by Currency US$ (billion)
12 Months



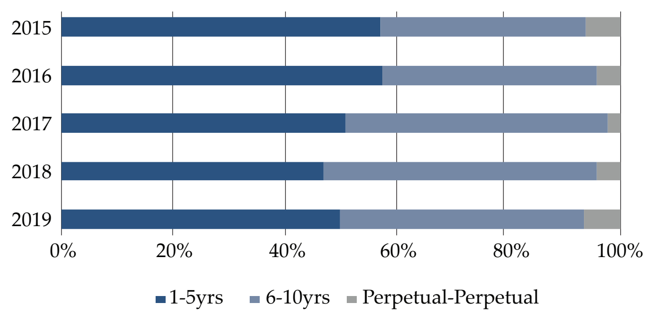
International Sukuk Volume by Sector US$ (billion)
12 Months



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



International Sukuk Years to Maturity



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8th	IFN FinTech Pitches	Dubai
8th	IFN FinTech Awards	Dubai
8th	IFN Dubai Awards Dinner	Dubai
8th	IFN iNNOVATE MENA	Dubai
10th	IFN Oman Forum	Oman
18th	IFN Australia Forum	Sydney
APRIL 2020		
6th – 7th	IFN Asia Forum	Kuala Lumpur
6th	IFN Asia Awards Dinner	Kuala Lumpur
13th	IFN Saudi Dialogues	Riyadh

JUNE 2020		
3rd	IFN Nigeria Forum & Dialogue	Lagos
5th	IFN WAMU Forum & Dialogue	Abidjan
8th	IFN Kenya Forum & Dialogue	Nairobi
10th	IFN South Africa Forum & Dialogue	Cape Town
JULY 2020		
13th	IFN iNNOVATE Asia	Kuala Lumpur
AUGUST 2020		
24th	IFN Halal Financing Forum	Kuala Lumpur
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