

Islamic Finance *news*

A **REDmoney** Product

Vol. 4, Issue 38 21st September 2007

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MALAYSIA

Islamic financing for construction

Bank Negara Malaysia (BNM), in consultation with the Master Builders Association Malaysia (MBAM), plans to establish a guideline for Shariah compliant products in construction.

MBAM president, Patrick Wong, said BNM's move to promote Islamic financing for the construction sector was good and would give the industry a boost.

Wong added that Islamic banking would benefit construction players because it capped costs and held lower risks. When asked whether the financing was for both local and overseas projects, Wong said: "We don't know whether we will talk about overseas or not, but I think it is more local at this moment. But once BNM takes the lead, then this can be recognized globally." ☺

AFRICA

Gulf African Bank gets African license

The Gulf African Bank (GAB) has received its license from the Central Bank of Kenya to operate in Africa, after being delayed since April this year.

The bank will have an initial paid-up capital of KES1.75 billion (US\$26.1 million), and will charge a minimum account opening balance of KES3,000 (US\$44.76). The bank also

specifically announced that it will be open to non-Muslims despite its Shariah compliance.

GAB's shareholders include BankMuscat International (20%), Istithmar (30%), the International Finance Corp holding (10%), PTA Bank (5%) and the balance of 35% spread between the Gulf Cap Group and Kenyan investors. ☺

BAHRAIN

Update on AREPCO Sukuk

Al Ahlia Real Estate Projects Co (AREPCO)'s Sukuk issuance has reportedly seen significant momentum since its recent introduction to the market. The two-year Sukuk is a pre-IPO equity-linked Sukuk with an 8% profit rate, payable semi-annually.

The Sukuk was issued to purchase up to 49% equity in AREPCO equivalent to KWD0.325 (US\$1.15) per share. Parent company Al Ahlia will continue to hold the remaining 51% of stocks. Liquidity Management Centre BSC (LMC) is acting as the deal's mandated lead

arranger, while Emirates Islamic Bank is co-arranger and senior lead manager.

The Sukuk offering is aimed primarily at institutional investors, targeting banks and financial institutions, fund managers, pension funds and insurance companies. Individuals are also eligible to purchase the Sukuk directly through LMC or its agent banks.

There will be multiple closings for the issuance, for which the first closing is scheduled for the end of this month. ☺

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BANGLADESH

Citi now in Bangladesh

Citigroup has become the first foreign bank to receive a merchant banking license in Bangladesh, allowing it to provide advisory services and conduct local capital markets business in the country as an adviser, underwriter and issue manager. The new entity will be headed by Silmat Chisti, head of Citigroup Global Markets Bangladesh.

Citigroup currently has three branches in Bangladesh, providing treasury management, transaction services, foreign exchange and structured finance services to corporate clients, governments as well as financial institutions. ☺

UAE

DEWA Sukuk in the pipeline?

The Dubai Electricity and Water Authority (DEWA) plans to sell up to US\$2.5 billion in Sukuk. However, no further details have been revealed. DEWA's Sukuk plans are in line with growing demand for water and power in Dubai, backed by the recent threefold surge in oil prices. The emirate has also seen a population influx of 26% from end-2006.

Abid Riaz, senior research analyst at EFG-Hermes Holding, affirmed the lack of power supply across the GCC and increasing competition within the region.

DEWA plans to spend up to AED 50 billion (US\$13.62 billion) to double its power generating capacity to 9,500MW by 2010.

(Also see page 3 for a follow-up announcement by SEWA) ☺

GLOBAL

Fatwa mooted

New financial rulings on banking contracts were discussed in the recently concluded 28th Islamic Economy forum.

Abu Ghudda, head of the Islamic board at Al Baraka, elaborated on the new "Manfaah Contract", where the bank permits the customer to utilize Manfaah or assign it to a third party. He explained: "Some of contracts that were confusing had to be evaluated from an Islamic perspective."

Dr Ali Mohyeddin Qura Daghi, chairman of the Fiqh and Law department at Qatar University, focused on Murabahah contracts, stating the guidelines on which such contracts need to be assessed: "The bank clearly stipulates in its special form the nature, origin and other descriptions of the goods. The contract should not convey any vagueness and ambiguity which may lead to dispute between contractors."

"It must state the amount of benefit granted to the bank out of the value of the contract and to determine the duration of the maturity and amount of installments. Contracts with prices that differ due to advanced or deferred payment as well as due to different lengths of periods are not valid. The bank has to submit a sample of goods and specify payment of the price within a specific time and certain installments at a defined profit," he added.

Ijarah contracts and alternative guarantees were also discussed during the forum. ☺

GLOBAL

S&P on Sukuk

Standard & Poor's (S&P) has published a report on the company's approach to rating Sukuk. Dubbed "Standard & Poor's Approach to Rating Sukuk", the report entails the factors that S&P considers in its evaluation.

S&P stated: "Sukuk lie on a continuum ranging from the lowest profit-sharing structures to the highest profit-sharing structures. In this report, we identify three broad categories of Sukuk. Sukuk with full credit enhancement mechanisms, Sukuk with no credit enhancement mechanisms and Sukuk with partial credit enhancement mechanisms." ☺

BAHRAIN/QATAR

Influx of lawyers

Law firms Charles Russell and Denton Wilde Sapte (DWS) are expanding their Middle Eastern practices. Charles Russell has set up an office in Bahrain, while DWS is in the midst of establishing one in Qatar following a partnership vote.

(Also see Moves on page 18) ☺

MALAYSIA

Bursa pushes stockbrokers

In line with Bursa Malaysia's newly launched "Best Practices Guidelines in Islamic Stockbroking Services", the exchange has urged stockbrokers to broaden their range of Islamic services to attract global funds to the capital markets.

The guideline also outlines key areas in operations and compliance, and affords a framework recommending best practices in carrying out stockbroking services in accordance with Shariah principles.

CEO of Bursa Malaysia, Yusli Mohamed Yusoff, commented: "The establishment of the 'Best Practices in Islamic Stockbroking Services' further affirms Bursa Malaysia's drive in positioning itself as a destination for the global Islamic investment dollars. The availability of high-quality intermediation services is critical to the next phase of growth of the Islamic capital market."

"It is hoped that with this tax incentive (from the Budget 2008), stockbrokers in Malaysia will take the opportunity to attract more investments from global investors, including the Middle East, who are keen on Shariah compliant investments in Asian markets," Yusli added.

More than 86% of listed securities on Bursa Malaysia are classified Shariah compliant, with Islamic securities forming a market capitalization of RM615.04 billion (US\$178.34 million) at 62.45%. ☺

MALAYSIA

KFC redeems bonds

KFC Holdings has fully redeemed its RM300 million (US\$87 million) Bai Bithaman Ajil Islamic Notes Issuance Facility. The bonds were issued in July 2001, and are scheduled to mature on 18th July 2008. ☺

AUSTRALIA

Candid Macquarie

As reported in a financial daily this week, Allan Moss, head of Macquarie Bank in Australia, revealed that the duration for deals to be closed has been stretched due to the global credit squeeze.

Moss said: "Deals aren't being pulled, some deals are slowing down. When we say the pipeline is reasonable, we mean that it's fairly normal relative to the last few years, but last year was particularly active."

He also mentioned waning competition among lenders to bid for assets. ☹️

GLOBAL

Barclays' bid may fail

ABN Amro is awaiting its knight in shining armor. Last month, the Dutch Finance Ministry had approved a bid from UK bank Barclays to take over ABN Amro. The ministry later approved a rival bid from a consortium led by Royal Bank of Scotland. Analysts are confident that RBS will emerge the winner and not Barclays, seeing as the US\$99 billion bid by RBS seems "financially superior".

ABN Amro Holdings' CEO Ricjkman Groenik was pessimistic about Barclays' chances, saying: "Most likely not. We should take into account that the financial markets won't change." ☹️

GLOBAL/TURKEY

Banks complete Katilim deal

Türkiye Finans Katilim Bankasi (TFKB)'s syndicated Murabahah financing facility has been closed at US\$100 million. The transaction saw participation from conventional and new banks, including Bank of London and the Middle East, HSBC, American Express Bank and a consortium of 13 other banks.

TFKB currently has an excess of US\$6 billion in total assets.

(Also see Termsheet on page 15) ☹️

EGYPT/UAE

Mashreq crosses the Nile

It was reported earlier this week that Dubai-based Mashreqbank has extended a bid for state-owned Banque du Caire in Egypt. The move follows the Egyptian government's decision to offer up another commercial bank for sale, after Italian bank San Paolo IMI's 80% acquisition of the Bank of Alexandria.

The tender for Banque Du Caire has not been initiated, and will signal Mashreqbank's re-entry into the Egyptian market after closing down its operations there five years ago. ☹️

SYRIA

Syria Islamic International Bank

The Syria Islamic International Bank commenced business this week from its temporary headquarters in Meridian hotel. The bank will provide Shariah compliant investment banking services, and advanced financing. ☹️

UAE

DIB Al Islami Auto Finance

Dubai Islamic Bank (DIB) has launched its Al Islami Auto Finance Ramadan promotion that will benefit new vehicle buyers.

The promotion will offer competitive profit rates starting from 3.99%, financing up to 72 months, first payment after 60 days and an attractive insurance and service contract. ☹️

JAPAN/MALAYSIA

BoJ to be honorary observer

Bank of Japan (BoJ) was invited to be an observer member of the Islamic Financial Services Board (IFSB) to increase its understanding of Islamic finance and market movements.

Japan has shown its commitment to Islamic finance with the Japan Bank for International Corp's US dollar-denominated Sukuk slated for October, and Daiwa plans to tap into the market. ☹️

UAE

SEWA finances new project

Sharjah Electricity and Water Authority (SEWA) plans to raise up to AED10 billion (US\$2.72 billion) to finance a power project. The financing will be done via the sale of conventional bonds or Sukuk. This is in line with growing demand for power and water, as well as accretion in oil prices.

SEWA's announcement follows DEWA's recent plan to issue Sukuk.



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AFRICA/SAUDI ARABIA

IDB goes to Africa's aid

The Islamic Development Bank (IDB), along with the United Nations and other institutions, plans to halve poverty in Africa by 2015.

The IDB recently developed a US\$10 billion Islamic Solidarity Fund for Development for the African continent. It is also working on a program for Africa, emphasizing education and agriculture to be ready before the next Islamic summit in Senegal.

The IDB has successfully implemented the US\$2 billion Ouagadougou Declaration in the last five years. ☺

BAHRAIN/TUNISIA

Tunisia seeks Bahrain investor

The Bahrain Chamber of Commerce and Industry has been invited to invest in Tunisia's Enfidha Industrial Park. The country is confident that Bahraini investors will boost economic and commercial ties between the two nations.

The International Investment Bank, ABC Islamic Bank and Islamic Finance Consultant have also agreed to send representatives on a site visit this November. ☺

BAHRAIN

Sakana expansion continues

Sakana Holistic Housing Solutions has opened a customer service center in Muharraq. The office is located in the BBK Financial Mall Muharraq Souq.

Sakana's ongoing expansion comes on the back of healthy sales since its start-up last December with over BH\$ 20 million (US\$53 million) worth of mortgages underwritten as at end-August. ☺

UAE

Dubai World-Amlak MoU

Dubai World Central (DWC), a 140 sq km urban aviation community under construction in Jebel Ali, Dubai, has signed a memorandum of understanding with Amlak Finance. The MoU will cover the cost of real estate sales of all three major components: the DWC Commercial City, DWC Golf City and DWC Residential City. Amlak Finance will cover all financing options Islamically, marking the first of such agreements.

Infrastructure costs are expected to hit US\$33 billion, and will comprise six real estate clustered zones: the Dubai Logistics City (DLC), DWC Commercial City, DWC International Airport (JXB), DWC Aviation City, DWC Residential City and DWC Golf City. ☺

MALAYSIA

HLIB targets double-digit growth

Hong Leong Islamic Bank (HLIB) is on track with 18% to 20% year-on-year growth. The bank currently has total Islamic assets worth RM7 billion (US\$2.04 billion), compared to RM6.43 billion in June 2006, and charts a capital adequacy ratio of 14% against Bank Negara Malaysia's 8% minimum.

On the consolidation of Islamic financial institutions in Malaysia, Khalid Bhaimia, managing director of HLIB, commented: "It is unlikely. It will only happen when the market drives it, which is not possible now because most Islamic banks are subsidiaries of conventional banks." ☺

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MALAYSIA

StanChart eyeing Shariah license

Standard Chartered Malaysia plans to apply for an Islamic banking license in the next 12 months. The bank also expects to double its local Islamic banking assets to 10% of total banking assets of US\$12 billion by the end of this year.

StanChart CEO Julian Wynter, however, confirmed: "Our plan is to grow by organic activities. An acquisition is not something that we're looking at right now." ☺

MALAYSIA

Advance Profit from CIMB Islamic

CIMB Islamic's newly launched Fixed Return Investment Account-i, also known as Advance Profit, is expected to attract up to RM1 billion (US\$288.84 million) in deposits within five months. The product is Tawaruq/Commodity Murabahah-based, and is set to award customers annual profits of up to 3.35%.

The bank is confident of achieving such figures as Advance Profit is currently the only FD account that awards instant cash to depositors. CIMB Bank head of retail banking Peter England said: "We are confident of easily achieving the target. The bank receives an average of RM500 million (US\$144.42 million) in retail deposits every month. So, our target should not only be achieved from our existing customers but also new ones."

Islamic deposits currently make up less than 10% of US\$83.76 billion in total retail deposits. CIMB Islamic will also launch two new Islamic banking products before the year ends, comprising an Islamic home financing product and financing for small and medium-sized enterprises. ☺

MALAYSIA

AI Aqar KPJ REIT issues notes

AI Aqar KPJ REIT has received approval from Malaysia's Securities Commission (SC) for the issuance of up to RM300 million (US\$86.98 million) Sukuk Ijarah commercial papers/medium-term notes (CP/MTN).

Proceeds from the notes will be used to fund the proposed acquisitions of five new hospitals located in Kota Baru, Kuantan, Kuala Lumpur, Kajang and Alor Setar. The notes will also finance future acquisitions, refinance existing bank borrowings and to be used as working capital. ☺

BAHRAIN

IB Asia expanding network

The Islamic Bank of Asia (IB Asia) will reportedly be setting up an office in Bahrain. Although sources at IB Asia declined to confirm the stipulated opening with *Islamic Finance news*, what is certain is that the bank plans to expand its network, seeing that it is on track to meet its target of 50 to 60 hires by the end of the year.

IB Asia recently completed its second closing, bringing its paid-up capital to US\$500 million. The closing saw 12 more GCC investors being added to its initial base of 22. ☺

MALAYSIA/MIDDLE EAST

Middle Eastern interest

A Middle East consortium led by Qatar General Insurance and Reinsurance Co and the Gulf Petroleum Qatar have revealed plans to invest up to RM5 billion (US\$1.44 billion) in Malaysia's Islamic banking, energy and property sectors.

The group has begun talks with oil and gas companies in Malaysia, and has proposed setting up a refinery to process Middle East crude oil for Southeast Asian consumption. The consortium is working together with Malaysian-based special purpose vehicle, D'Astra Group. It is also looking to Indonesia, Brunei and Thailand to expand its network, but has so far confirmed its long-term commitment to developing Malaysia as a hub for Middle Eastern business. ☺

MALAYSIA/UK

Bank Islam on fast track

After returning from the black and launching its new corporate identity, Bank Islam has entered into an agreement with the European Islamic Investment Bank (EIIB) to lead arrange a US\$300 million Sukuk for a yet-to-be named Malaysian company.

EIIB and Bank Islam will also work on a non-exclusive basis in areas including treasury, capital markets, asset management and corporate finance. The banks will cooperate on the development and distribution of Islamic financial products and promote the increasing international awareness of Islamic finance.

Bank Islam also revealed plans to sell up to RM2 billion (US\$571.91 million) in gross non-performing loans, to be confirmed by the end of the year. ☺

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MALAYSIA

SBC rating lifted

RAM Ratings has lifted its rating obligations of BBB3 with a negative outlook on SBC Corp's RM49.57 million (US\$14.31 million) Bai Bithaman Ajil bonds. This is due to the company's full redemption of the notes. ☺

MALAYSIA

Ace Polymers downgraded

Malaysian Rating Corporation (MARC) has lowered the rating on Ace Polymers' RM70 million Bai Bithaman Ajil Islamic Debt Securities (BaIDS) from BBB-ID to D ID. The downgrade reflects Ace's failure to make its scheduled payment on the RM10 million (US\$2.89 million) Primary BaIDS that was due on 14th September 2007.

The trustee has confirmed that as at 12th September, the balance in the FSRA was insufficient to meet the redemption of the RM10 million Primary BaIDS. The facility agent, KAF Investment Bank, had also announced earlier that no payment would be made on the Primary BaIDS. ☹

MALAYSIA

BSA on watch

BSA International's RM150 million (US\$43.49 million) Murabahah Commercial Papers/Medium-Term Notes Program (MMTN) maintains its BBB1/PR ratings, and remains on RAM Ratings' rating watch.

Completion of the legal documentation and fulfilment of other conditions precedent for the availability of the loan are expected to be done by 5th October 2007. However, due to the short time buffer between the expected availability of the bridging loan and the maturity date of the MMTN, the ratings will remain on rating watch with a negative outlook until confirmation on the loan's availability has been received. ☹

AUSTRALIA

Macquarie stable

Moody's Investors Service has affirmed the A1/Prime-1 deposit and senior debt ratings, along with the C+ bank financial strength rating of Macquarie Bank (MBL). The bank's outlook also remains stable.

The affirmation follows MBL's announcement that it intends to form a non-operating holding company (NOHC) structure, and to transfer certain of its investment banking activities to a new non-bank group, which will be created under the group NOHC. Under the restructuring, MBL would provide a transitional bridge facility to the group NOHC, which would in turn downstream funds to a non-bank holding company. ☺

MALAYSIA

Sarawak affirmed

Standard & Poor's (S&P) has affirmed Sarawak Corporate Sukuk (SCS)'s US\$350 million floating rate trust certificates at a long-term foreign and local currency credit rating of A-, with a stable outlook. SCS's affirmation is in line with S&P's affirmation on the state of Sarawak at A-.

The ratings reflect its strong operating balances, robust liquidity reserves and supportive relationship with the federal government of Malaysia. The state possesses a strong overall liquidity position, with cash and extra short-term liquidity amounting to RM7 billion (US\$2.03 billion) at year-end 2006. This is expected to cover on average 650% of annual operating expenditure from 2007-09, and should provide Sarawak with the capacity to comfortably face any potential fiscal shocks. In addition, though the state's US dollar debts are un-hedged, its comfortable liquidity position should mitigate exposure risks.

The ratings on the state are, however, constrained by a high tax-supported debt burden, whereby a portion was accumulated from the state's support of First Silicon. ☹

THIS TIME LAST YEAR

- **Dubai Financial Market and Pakistan's Central Depository Co** signed a MoU.
- **Aseambankers** revealed it would expand its services to Brunei, Singapore and Indonesia.
- **Kuwait Finance House Malaysia** announced plans to sell between US\$200 million and US\$250 million in Sukuk for a Chinese firm.
- The **Islamic Development Bank and African Development Bank** signed a MoU.
- **Investment Dar's** US\$150 million Musharakah Trust Sukuk was successfully closed.
- **Anchor Finance Group** formed a Shariah advisory board.
- **First Finance Co** listed its shares on the **Amman Stock Exchange** with a capital of US\$70.6 million.
- **ABN Amro's** US\$95.4 million Islamic fixed rated bond issue for RHB Capital was 1.7 times oversubscribed.
- **Abu Dhabi Investment House and Qatar Islamic Bank** placed US\$100 million in shares in Masrafy for women.
- **Dow Jones Indexes** launched Pakistan's first Islamic equity index.
- **Dubai Islamic Bank** successfully closed the Al Islami Shipping Fund.
- **Sham Bank and AlBaraka** bank were licensed to operate in Syria.

MALAYSIA

Bank Negara studying duplication issue

Bank Negara Malaysia (BNM)'s move to streamline the roles and responsibilities of Islamic Banking and Finance Institute Malaysia (IBFIM), the International Center for Education in Islamic Finance (INCEIF) and Malaysian Takaful Association (MTA) is timely, say those within the industry.

One of them is economics lecturer Prof Bala Shanmugam from Monash University, Malaysia, who said the duplication of roles between the institutions is especially obvious between INCEIF and IBFIM.

"One example is the fact that INCEIF runs courses in Islamic finance and so does IBFIM. There is clear duplication (of roles) there," he told *Islamic Finance news* when asked to comment on a news report last Wednesday (September 19th).

He believes that the duplication issue arose because INCEIF has failed to realize its potential as a university, which is unfortunate for the industry.

"INCEIF should leave all the courses to IBFIM. It should focus solely on offering undergraduate, Master's and Ph D programs instead of running courses. Let IBFIM handle the certificate courses," he suggested.

The professor also said that BNM's efforts to tackle the issue of overlapping should be lauded. "Too many players doing the same thing, things will get diluted and the quality will be compromised."


However, one bank official who deals with the two organizations sees no duplication of roles between INCEIF and IBFIM, although they both offer Islamic finance courses.

He explained that IBFIM provides skill-based programs and courses while INCEIF is a university which offers higher-level programs like the Chartered Islamic Finance Professional and programs for Master's and PhD, which he admits have not taken off yet.

He is also puzzled that the allegation of duplication of roles had involved MTA, which is a trade association for Takaful companies.

As at press time, BNM had not issued a clarification. When contacted, a BNM official said the bank would study the matter before releasing a press statement. The three organizations named in the report also declined comment.

INCEIF was established by Bank Negara in March 2006 to produce professionals for the global sector. It was conferred university status just six months after commencing operations and prides itself on being the only university dedicated to Islamic finance.

IBFIM was officially launched in February 2001 to produce well-trained, high-caliber individuals and management teams with the required expertise in the Islamic finance industry. 

By Arfa'eza A Aziz

BAHRAIN

IIFM lands Shariah specialist

Bahrain-based International Islamic Financial Market (IIFM) hopes to quicken the pace of its operation with the recent appointment of Dr Ahmad Rufai Muhammad as the new head of Shariah.

IIFM's CEO Ijlal Alvi told *Islamic Finance news* that with Ahmad Rufai on board, decision-making would be a smoother process.

"It was challenging for us to find someone with experience, knowledge and at the same time, has a good grasp of the English language. We are lucky to have him...with his experience in Malaysia and New Zealand, he is definitely capable to do what needs to be done here," he told *Islamic Finance news*.

He said Ahmad's professional experience as a Shariah adviser, complemented by his academic background in Islamic law and Islamic jurisprudence, would add significant value to IIFM's efforts in developing self-regulatory standardized contracts, template products and the infrastructure development of an Islamic management system.

He also said that Ahmad Rufai's vast knowledge of different schools of Islamic law and his broad professional experience will be a "tremendous resource" for IIFM in its efforts to harmonize Islamic capital and money markets.

When asked the reason behind IIFM's decision to hire an in-house Shariah adviser, Ijlal said they needed a Shariah expert on board to get its operations moving faster.

"We need a Shariah adviser who can provide us with quick answers during our discussions with the banks. Group meetings and discussions often happen and it was important for us to have an in-house adviser who can quickly respond to immediate enquiries on Shariah-related matters. Things will move a lot faster," he said.

He said among Ahmad Rufai's key responsibilities at IIFM would be to coordinate all Shariah aspects of IIFM initiatives and projects with Shariah scholars in the Islamic capital and money markets industry and other neutral Shariah scholars. He, however, declined to reveal details of the projects.

Alvi clarified that the new appointment does not mean that IIFM plans to establish its own board of Shariah advisers.

"We don't intend to hire more (Shariah advisers) as there is no plan to create our own board of Shariah advisers. We just needed someone who acts quickly, and can give quick answers. With him around, our work can be completed in a timely manner."

IIFM was founded collectively by Bahrain, Indonesia, Malaysia, Pakistan, Sudan, Brunei and Saudi Arabia to take part in the establishment, development, self-regulation and promotion of the Islamic capital and money market.

(Also see Moves on page 18) 

What Will the UK Decide on Sukuk?

By Mohammed Amin

On the 23rd April 2007, the UK government announced a study to decide whether it should become an issuer of wholesale Islamic financial instruments. The then Economic Secretary to the Treasury, Ed Balls MP (now Secretary of State for Children, Schools and Families), spoke at the Financial Services Authority (FSA) Principles-based Regulation Conference and mentioned that the government would be studying the feasibility of issuing Sukuk:

“And (on the 16th April), we invited over 20 experts in the retail and wholesale Islamic financial markets, as well as key figures in the Muslim community, to an Islamic finance summit at No 11 to discuss the next steps with the Treasury and the FSA. At that meeting, we announced that we are establishing a new consultative forum, the ‘Islamic Finance Experts Group’ to act as an industry sounding board for the government and the FSA on Islamic finance issues going forward...”

“I believe there are great potential advantages for the UK government issuing Shariah compliant debt. So I can announce today that I have asked the Debt Management Office and HM Treasury to carry out a feasibility study into opportunities for the government issuing Islamic financial instruments in the wholesale sterling market, consulting with our new Experts Group and reporting at the time of the Pre-Budget Report.

“The working group will examine the wider benefits from the issuance of Sukuk bonds for the development of London as a center for Islamic finance in the context of our debt management policy objective of minimizing long-term cost, taking into account risk, and examining the implications for gilt market structure and management.”

The formal terms of reference for the study are available via the website of HM Treasury at http://www.hm-treasury.gov.uk/consultations_and_legislation/islamic_financial/consult_islamic_financial.cfm. Of course, this gives rise to several questions, some of which are set out as follows.

What would be the sources of demand for wholesale UK government sterling Islamic financial instruments?

Possible sources include:

- Islamic banks operating in the UK seeking to manage their treasury operations. Future purchasers could also include Takaful (Islamic insurance) companies seeking to invest their liquid funds on a short-term basis and also Shariah compliant retail investment funds.
- Individual UK-based Muslim investors.
- Individual retail investors using Individual Savings Accounts (ISAs) if the securities are made available through ISAs like conventional government securities. ISAs are a form of tax-exempt savings scheme in the UK.
- Overseas investors, both companies and individuals, who are willing to accept the currency risk of investing in sterling in exchange for the exceptional creditworthiness of Her Majesty’s

Government. This could include Middle Eastern investors diversifying out of dollar-denominated instruments.

- The envisaged wholesale sterling Islamic financial instruments could also appeal to conventional non-Islamic investors. From the perspective of a non-Islamic investor, the instruments can be assessed in the same manner as conventional gilts, without giving any regard to their Shariah compliant nature unless that has a direct impact on the cash flow of the instrument.

Could one replicate a conventional gilt?

There may be merit in designing the instrument to replicate the cash flow of an existing government security.

For example, if the government wished to issue an instrument with a maturity of about five years, then it could be designed to have a redemption price of £100 (US\$199.48) payable on the same day that the existing 5.25% Treasury Gilt 2012 is due for repayment. Similarly, the periodical cash flow could be designed to be the same amount as those on the gilt and payable on the same days.

“In purely financial terms, due to the demand for such instruments, it is possible that the UK may be able to issue at a lower overall cost than in sterling, after taking account of any costs of hedging from dollars back into sterling”

Provided the structural design of the instrument enables an investor to be assured that it carries the creditworthiness of Her Majesty’s Government, then one would expect that the instrument should never trade in the market at a lower price than the conventional gilt. The reason is that to a conventional investor, the instrument has the same economics as the gilt.

However, it is theoretically capable of trading in the market at a higher price than the conventional gilt due to greater demand. The potential purchasers of the conventional gilt will comprise only non-Muslim investors while the Islamic instrument with identical cash flows will also experience additional demand from Muslim investors.

Might it be worthwhile issuing in dollars?

While the terms of reference of the study are limited to sterling instruments, it may be worthwhile to consider a dollar-denominated issue. The reason is that there is a significant demand among

continued...

What Will the UK Decide on Sukuk? (continued...)

international Islamic financial institutions for instruments that would allow them to manage their liquidity. Short-term dollar-denominated Islamic financial instruments issued by Her Majesty's Government may be attractive to Islamic financial institutions around the world for investing their short-term liquid funds in view of the outstanding creditworthiness of the UK.

In purely financial terms, due to the demand for such instruments, it is possible that the UK may be able to issue at a lower overall cost than in sterling, after taking account of any costs of hedging from dollars back into sterling.

How might the UK benefit from such issuance?

A number of possible benefits come to mind.

- The issue may create goodwill with the country's Muslim population. A proportion of them have suffered from the lack of risk-free, short-term financial instruments for investment. By acting to meet this need, the UK government would be demonstrating that it is serious about financial inclusion. Financial inclusion has been an important factor in the UK government's Islamic finance strategy since the first changes to the stamp duty rules to facilitate Islamic residential mortgages.
- It may assist the growth of London as an Islamic financial center. As well as the direct benefit of assisting the liquidity management of Islamic banks and Takaful companies based in London, having a significant amount of government Islamic

securities traded in the city may attract other Sukuk to list in London. From a reputational perspective, if the UK is the first western government to issue Sukuk, it should help cement London's status as the pre-eminent western center for Islamic finance and a city that can compete with the financial centers of the Muslim world.

- It may create goodwill with Muslims internationally, by demonstrating that the UK government takes Islamic finance seriously and is keen to meet the needs of its Muslim citizens.
- Finally, there is the possibility that finer pricing for the reasons discussed above might outweigh the issue costs. Of course, this will only be evident after the event, once the instrument is auctioned and traded.

The study is due to report its conclusions at the time of the pre-budget report scheduled for October. No doubt the world is awaiting the findings with great interest. ☺

PRICEWATERHOUSECOOPERS 

Mohammed Amin is a tax partner at PricewaterhouseCoopers LLP and leads their Islamic finance taxation network in the UK. He can be contacted via email at mohammed.amin@uk.pwc.com.

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Impact of Capital Adequacy Ratio on Venture Capital in Islamic Finance

By Nuradli Ridzwan Shah Mohd Dali

Capital is not necessary for all types of business, but for a majority of them, it is an essential part of the business platform. Capital can be in the form of debt or equity, or both, and sometimes, it is cheaper to only acquire debt capital or equity capital alone.

The cost of funds varies between these two types of capital especially when dealing with bank loans and bonds for debt equity and the issuance of shares and private placement for equity capital.

Venture capital is one of the ways to source for capital. It is typically provided by professional and outside investors interested in building up new potential businesses. Generally made as cash in exchange for shares in the investee company, venture capital investments are usually high risk. It, however, offers above-average returns from 20% to 50%.

“If the CAR standard (which is scheduled for implementation at the end of this year) is enforced, it will not only affect venture capital but also the overall concept of profit sharing”

A venture capital fund is a vehicle (often a limited partnership) that primarily invests the financial capital of third-party investors in enterprises that are too risky for the standard capital market or bank loan. Some textbooks call it “private placement”. Venture capital can also include managerial and technical expertise. For example, when I was a project officer with Bank Pembangunan dan Infrastruktur (M)’s rehabilitation department, I was assigned to turn around companies that the bank had invested as venture capitalist in and worked closely with the respective management teams.

A substantial portion of venture capital comes from a group of wealthy investors, investment banks and financial institutions that pool their investments or form a partnership. This form of raising capital is popular among new companies or ventures with a limited operating history and cannot raise funds through a debt issue such as bond or debentures.

In the case of Islamic venture capital (IVC), the funds must come from Shariah approved companies or funds to ensure the purity of the capital, expenses and income. IVC aims to help strengthen small companies and promote economic growth by improving the small and medium-sized enterprises industry.

IVC could be based on profit and loss sharing (PLS) or Musharakah and profit sharing (PS) or Mudarabah and diminishing Musharakah or Musharakah Mutanaqisoh.

However, there are concerns that the current capital adequacy ratio (CAR) standard has caused Islamic banks, which are key players in the growth of Islamic finance, to shy away from becoming venture capitalists. It is stated that the risk weightage for the concepts used in venture capital are too high. Here is an excerpt from the December 2005 Islamic Financial Services Board report, “Capital Adequacy Standard for Institutions (Other Than Insurance Institutions) Offering Only Islamic Financial Services” on the CAR standard (clause 29, Section B.1):

In the Standard, the RW [risk weight] for such investments shall be calculated according to one of the following two methods for equity exposure held in the banking book:

a) Simple risk-weight method

A 400% RW is to be applied to all equity exposures in private and commercial enterprise. However, funds invested on a Mudarabah basis may be subject to withdrawal by the investor at short notice (maximum five working days), and in that case, may be considered as being as liquid as shares that are publicly traded. The applicable RW in such a case is 300%.

In this case, the standard formula for the CAR is:

Eligible Capital

(Total Risk-Weighted Assets (Credit + Market Risks) Plus Operational Risks

Less

Risk-Weighted Assets Funded by Profit-Sharing Investment Accounts (Credit + Market Risks))

If the risk weightage for Mudarabah is 400%, it will hinder Islamic banks from becoming venture capitalists. This is to ensure that Islamic banks can adhere to the CAR standard of a minimum requirement of 8%. But the CAR becomes smaller if the bank invests using Mudarabah. Therefore, this discourages Islamic banks from investing in Mudarabah venture capital.

If the CAR standard (which is scheduled for implementation at the end of this year) is enforced, it will not only affect venture capital but also the overall concept of profit sharing. It is feared that such a concept will be ignored by Islamic banks in the near future. This goes back to the call for the establishment of IVC banks to enhance Mudarabah’s third-class status in Islamic banking. ☹

Nuradli Ridzwan Shah Mohd Dali is an academic at the Faculty of Economics and Muamalat, the Islamic Science University of Malaysia in Negeri Sembilan, Malaysia. He can be contacted via email at mohdddalins@yahoo.com.

Islamic Finance: Rallying to a Common Standard?

By Ben McFarlane

In recent years, Islamic finance has grown rapidly and is now poised to take a major role in the world's financial systems. The volume of transactions in Shariah-compliant financial products and services is currently estimated at more than US\$600 billion, and the sector is set to grow at the rate of 15% to 20% per year.

During the last few years, Islamic finance has grown mainly in countries with a significant Muslim population. However, the divergence of views between Shariah scholars on issues such as the need for standardized legal, accounting, regulatory and Shariah supervisory framework has led to a call for greater harmonization to ensure the future development of Islamic finance, as well as greater transparency from financial institutions in order to attain solid sustainable growth within the Islamic finance industry.

In its early stages, Islamic banking was simply concerned with the basic financial instruments: Musharakah, Murabahah and Mudarabah. Now that the finance industry as a whole is facing a challenging domestic and global environment, and the Islamic finance industry is competing with established conventional banks, it must demonstrate that it is mature enough to rise to the demands of the modern world and find Islamic solutions that comply with international banking standards: for example, adequate disclosure, qualified bankers and standardized presentation of financial data.

Need for Accounting Standards

There has been a growing need for international accounting standards in Islamic finance in response to the increasingly globalized nature of markets and economies. The structure and processes of Islamic banks do not readily fit in with those of conventional banking due to the differences between the systems of Islamic and conventional banks.

The basic difference lies in the fact that the Islamic banks operate on an equity-participation system based on Shariah principles in which a predetermined rate of return is not guaranteed, whereas conventional banks operate using both equity and debt systems that are driven by interest.

As a result, supervisory bodies in different countries adopt different approaches to the regulation of Islamic banking, resulting in varying

accounting standards. As with conventional banking, the principal intention of regulation in Islamic finance is to ensure a safe and secure banking system, encourage competition and provide customer protection in the spirit of Shariah law.

The table below summarizes the different accounting standards used by a representative panel of Islamic financial institutions (IFIs) in various countries. These banks are recognized as domestic, regional or global leaders in Islamic finance, and are based in different countries.

“The Islamic finance industry must demonstrate that it is mature enough to rise to the demands of the modern world and find Islamic solutions that comply with international banking standards”

Standard-setting Organizations

AAOIFI and the Islamic Financial Services Board (IFSB) play essential roles in developing and promoting the application of accounting standards for IFIs. These two organizations are key to the development of inter-nationally accepted rules and standards.

- AAOIFI

AAOIFI was established in 1991 as one of the industry's main standard-setting organizations. In the 1990s, it succeeded in significantly harmonizing IFI accounting standards and giving guidance to IFIs on applying the standardized practices. To date, it has issued 70 standards covering accounting, auditing, governance, ethics and Shariah law. It has 115 financial member institutions, representing 27 countries.

According to Standard & Poor's, the regional differences between banks in the methods used to prepare accounts, and even in the interpretation of Shariah law, confuse potential investors and are

Bank	Country	Accounting Standard
Al Rajhi Banking & Investment	Saudi Arabia	Islamic Financial Reporting Standards (IFRS)
Kuwait Finance House	Kuwait	IFRS, with some local amendments applicable to all banks, not just IFIs
Dubai Islamic Bank	UAE	IFRS
Islamic Bank of Britain	UK	UK GAAP
Bank Islam Malaysia	Malaysia	Malaysian auditing and accounting standards
Qatar Islamic Bank	Qatar	IFRS, with restrictions for IFIs
Shamil Bank	Bahrain	Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
Al Baraka Islamic Group	Bahrain	AAOIFI
Bank Muamalat	Indonesia	Indonesian auditing and accounting standards
Meezan Bank	Pakistan	IFRS, with some local amendments applicable to all banks, not just IFIs

continued...

Islamic Finance: Rallying to a Common Standard? *(continued...)*

restricting the sector's rate of growth, which stands at about 10% a year. To ensure uniformity, internationally accepted procedural methods relating to financial reporting are required.

AAOIFI recommends overhauling financial accounting to ensure adherence to the principles of Shariah and proposes to strengthen the role of Shariah committees by making it easier to evaluate the quality of emerging financial instruments and assisting the process of implementing Shariah values. It aims to convince both central banks and Islamic institutions to adopt its rules.

“The Sukuk market... has fulfilled a need for medium-term investments that were formerly lacking in Shariah compliant instruments”

So far, the Bahrain-based AAOIFI has launched its Certified Islamic Public Accounting program, and accounting organizations and central banks, including the Central Bank of Egypt, KPMG and Deloitte's, are using it.

- IFSB

The Malaysian-based IFSB was established in 2002 to set international standards for regulatory and supervisory agencies that have a vested interest in ensuring the soundness and stability of the Islamic financial services industry. It encourages the development of a prudent and transparent industry by introducing new, or sometimes adapting, existing international standards that are consistent with Shariah principles, and then recommending them for adoption.

In so doing, the work of IFSB complements that of the Basel Committee on Banking Supervision, International Organization of Securities Commissions and the International Association of Insurance Supervisors.

The 88 members of IFSB include 21 regulatory and supervisory authorities as well as the International Monetary Fund, the World Bank, Bank for International Settlements, the Islamic Development Bank, the Asian Development Bank, and 62 financial institutions from 16 countries.

IFSB recently issued its first two standards, one on capital adequacy and another on risk management, and recommended their implementation among its member countries effective from this year. An exposure draft has been issued on corporate governance, while other standards in the pipeline include a supervisory review process, transparency and market discipline, special issues in capital adequacy and governance of investment funds.

Other organizations working towards universally accepted international standards include the International Islamic Rating Agency, the International Islamic Financial Market and the Liquidity Management Center.

Rating of Islamic Financial Instruments

While differing from their conventional counterparts, the IFIs seek to provide an investment similar to their conventional counterparts and so, are susceptible to similar rating criteria by the major conventional rating providers such as Moody's, Standard & Poor's and FITCH-IBCA. These global ratings agencies have developed specialized teams to review IFIs.

In addition, in June 2005, a specific Islamic rating agency, the Islamic International Rating Agency (IIRA) became operational. IIRA is sponsored by multilateral development institutions, leading banks, other financial institutions and rating agencies with shareholders operating from 11 countries and constituting the agency's primary marketing focus.

IIRA is the sole rating agency established to provide capital markets and the banking sector in predominantly Islamic countries with a rating scale that covers the full array of capital instruments and specialty Islamic financial products.

IIRA uses a scale of AAA (SQR) to B (SQR) to rate Shariah Quality Compliance (with AAA (SQR) being the highest possible rating); and B (SQR) to rate Shariah Quality Compliance, with AAA (SQR) being the highest possible rating and B (SQR) being the lowest possible rating.

Ratings of Sukuk and Takaful

In the last five years, attention has focused on Islamic finance as the market has evolved from simple, low-return instruments to more sophisticated systems.

The Sukuk market has grown tremendously as it offers medium- to long-term fixed or variable rates of return and has fulfilled a need

Originator	Date of First Rating	Issue Amount	LT Rating
Bahrain Monetary Agency International Sukuk	18 th February 2004	US\$250 million	A
Stichting Sachsen-Anhalt Trust	9 th July 2004	€100 million	AA
Sarawak Corporate Sukuk	30 th November 2004	US\$350 million	A
Pakistan International Sukuk	23 rd December 2004	US\$600 million	B+
Gold Sukuk DMCC (Guarantor: Dubai Metals and Commodities Center Authority)	11 th April 2005	US\$200 million	A
Islamic Development Bank	20 th May 2005	US\$1,000 million	AAA
East Cameron Gas (Islamic Finance Securitization)	20 th June 2006	US\$166 million	CCC+
Tabreed 06 Financing	15 th June 2006	US\$200 million	BBB

continued...

Islamic Finance: Rallying to a Common Standard? (continued...)

for medium-term investments that were formerly lacking in Shariah compliant instruments. The governments of Malaysia, Qatar, Pakistan, Bahrain and Dubai have all issued Sukuk.

Sukuk are also gaining lot of attention as non-Islamic issuers are seeking to take advantage of the increased liquidity in the Islamic world. In recent years, global financial institutions such as HSBC, Citigroup, UBS and BNP Paribas have all been involved in Sukuk issues, often acting as lead arrangers.

In 2004, the German state of Saxony-Anhalt became the first state in Europe to offer Sukuk. The five-year, US\$100 million bond received an excellent rating of AAA by Fitch and AA-by Standard & Poor's, and co-managers for the deal were US banking giant Citigroup and Kuwait Financial House.

Thereafter, in April 2005, the World Bank released its first Islamic debt issue with its US\$200 million Wawasan Ringgit Sukuk. ABN Amro and Commerce International Merchant Bankers Bhd were the joint lead managers. The securities, which received credit ratings of AAA by Standard & Poor's and AAA by Moody's Investors Service, were oversubscribed by 1.9 times.

IIRA recently assigned a Shariah Quality Rating of AA to Syarikat Takaful Malaysia (Takaful Malaysia). This rating reflects IIRA's opinion that Takaful Malaysia conforms to a high standard as regards Shariah requirements in all aspects of Shariah quality analysis.

The table below provides Standard & Poor's Rating List of Islamic Issues

Conclusion

The Islamic financial sector is set for continuous growth. However, it must overcome several key challenges in order to offer a better alternative to conventional banking products and financial services to Muslims and non-Muslims alike.

At present, there remain a number of barriers to overcome, including differences in Shariah interpretation and a lack of consistency in financial reporting. Creating customer awareness and providing them with a wider range of products and services at affordable pricing is a major challenge for financial institutions.

In view of the recent turmoil in global stock markets, it would seem sensible for the Islamic finance industry to learn from past mistakes and deal with issues such as a lack of proper standards in rating products and a lack of transparency about the nature of those products. These are issues that the risk-averse investor of tomorrow will want to know have been fully addressed. ☺



Ben McFarlane is a partner of B J Macfarlane & Co, a law firm specializing in insurance, re-insurance, shipping and trade matters. He is part of a scoping committee set up by the Chartered Insurance Institute to look at Takaful in the UK.

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Islamic Finance news talks to leading players in the industry



Name: Geert Bossuyt
Position: Managing director, regional head of Middle East structuring
Company: Deutsche Bank
Based: Dubai, UAE
Age: 37
Nationality: Belgian

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

Deutsche Bank is one of the first true international investment banks to have committed itself deeply to Islamic finance. As such, it has built up unrivaled competence and goodwill and has become one of the premier investment banks in Islamic finance. It combines excellent investment banking skills with a thorough understanding of the region and of Shariah, which makes it well-equipped to service client needs.

What are the obstacles faced in running your business today?

A business can only grow if we find sufficient talent and finding or building on that talent is not easy. I am also a little concerned about some trends I see within the Islamic business industry: Some participants act as if the industry has already almost achieved its ultimate goal while I think we are still far off. I compare it with a marathon runner who looks back after 5km and thinks he did well. We should look forward and be humble as we still have 37km to go.

Another concern is that the ultimate goal of Islamic finance is to offer an alternative to conventional finance — one that is based on solid principles and not just Islamic in character, but also has a global ethical element. To reach that goal, many market niches such as derivatives and acquisition will still need to be worked on and it will be necessary to have a pragmatic view. To get this right, the underlying principles need to be right but so does the execution process. I am more comfortable with a Murabahah transaction linked to the London interbank offered rate than with a Murabahah that has no link to Libor but where the constructive possession of the underlying asset is less clear.

Where do you see the Islamic finance industry, maybe in the next five years?

The strong development of the Islamic finance industry in the recent past has taken many industry participants by surprise. While Sukuk are today dominating the Islamic finance landscape, more developments can also be expected in other areas such as Takaful and private equity. Generally, prospects for the development of the industry are bright and promising.

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

The widespread notion that Islamic finance is for Muslims only should give way to the more appropriate understanding that Islamic finance is an intriguing concept that also offers attractive financing and investment opportunities for the conventional investor, whether he is Malaysian, Arab, American or Japanese. The ultimate goal of all market participants should be to offer a solid alternative to conventional finance for a wide range of clients and not simply a niche market for the conservative Islamic market. ☺

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

Following my graduation in engineering and actuarial science, I started my career at a local Belgian Bank, KBC bank. Given my background, I had a natural interest in financial engineering and structured products. This was also the major focus of my work when I joined Deutsche Bank in 2001. As I saw an increasing demand for Islamic products, I came up with one of the first such products for Deutsche Bank. Soon after, I was entrusted with the task of turning Deutsche Bank's ambition to become the leading bank in Islamic finance a reality.

What does your role involve?

I am regional head of (conventional) Middle East structuring in the global markets division of Deutsche Bank, and global head of Shariah structuring. While Sukuk are the most prominent of our work, we are also involved in providing other innovative solutions for client needs, such as derivatives, structured products, private equity or acquisition financing. I am also involved in typical management and representation activities for Deutsche Bank.

What is your greatest achievement to date?

Next to having three lovely children (all boys!) and a lovely wife, as a non-Muslim, I am particularly proud of leading a team of ambitious and capable people in the fast-growing and exciting Islamic market with a product offering that is broader than that of any competitor.

Which of your products/services deliver the best results?

Deutsche Bank has been innovative in developing a diversity of financial instruments to clients, in particular in Islamic finance. Our excellent structuring capabilities translate, inter alia, into successful Sukuk launches, innovative structured products and new Islamic derivative solutions. Our Islamic products range from conservative to more liberal products, giving Muslims a choice.

What are the strengths of your business?

The real assets of a bank are not those that appear on balance sheets, but rather its people who are in and (sometimes late) out daily. Deutsche Bank has been particularly successful at attracting highly gifted individuals who have created a product selection that, in my opinion, is the broadest in the market.

Deutsche Bank



Deutsche Bank is a leading global investment bank with a strong and profitable private client franchise



Türkiye Finans Syndicated Murabahah

INSTRUMENT	Syndicated Murabahah financing
ISSUER	Türkiye Finans Katılım Bankasi (TFKB)
PRINCIPAL ACTIVITIES	TFKB is a result of a merger between Anadolu Finans (owned by Boydak Holding) and Family Finans (owned by Ulker Group). The merger was approved by Turkey's Bank Regulation and Supervision Agency in December 2005 and saw both Boydak and Ulker holding a 50% share each in the bank. TFKB is one of the leading participation banks in Turkey.
ISSUE SIZE	US\$100 million
CLOSING DATE	August 2007
TERM	Two years
REPAYMENT SCHEDULE	Profit rate fixed at Libor +70 basis points per year, with capital to be paid upon maturity
MANDATED LEAD ARRANGER	Libor +105 basis points. Upon each issue, certificate holders will pay subscription fees to NIGSL, which will invest in an unincorporated investment arrangement pursuant to the Mudarabah agreement. The agreement stipulates that NIG as the Mudarib will invest its capital in accordance with an investment plan comprising Shariah compliant transactions.
PARTICIPATING BANKS	Zuercher KantonalBank (Switzerland), GarantiBank International NV (the Netherlands), Raiffeisen ZentralBank Osterreich (Austria), UBAF (France), WGZ Bank (Germany), American Express Bank (US), Doha Bank (Qatar), Emirates Bank International (UAE), First Gulf Bank (UAE), The Arab Investment (Bahrain), Gulf International Bank (Bahrain), Mashreqbank (UAE), Standard Chartered Bank (UK), HSBC Bank (UK), Saudi National Commercial Bank (Saudi Arabia), and Bank of London and the Middle East
LEAD ARRANGERS	Saudi National Commercial Bank (Saudi Arabia), Bank of London and the Middle East, Gulf International Bank (Bahrain), HSBC Bank (UK), Mashreqbank (UAE) and Standard Chartered Bank (UK)
ARRANGERS	American Express Bank (US), Doha Bank (Qatar), Emirates Bank International (UAE), First Gulf Bank (UAE), The Arab Investment (Bahrain)
CO-ARRANGERS	GarantiBank International NV (the Netherlands), Raiffeisen ZentralBank Osterreich (Austria), UBAF (France) and WGZ Bank (Germany)
PARTICIPANT	Zuercher KantonalBank (Switzerland)
INVESTMENT AGENT	HSBC Bank
DOCUMENTATION	Master Murabahah agreement, investment agency agreement, broker agreements
PURPOSE OF SYNDICATION	In order to fund small and medium-sized enterprises and contribute to the real estate sector in Turkey. In the future, TKFB plans to extend the maturity of Islamic syndications with lower pricing, invest in Sukuk, explore the possibility of launching securitizations and build Shariah compliant infrastructure.

For more term sheets visit www.islamicfinancenews.com



SAUDI ARABIA/UAE

Takaful Taawuni

Prudential Asset Management has signed a memorandum of understanding with Bank Aljazira to set up a new Takaful company, Takaful Taawuni, by end-2007. Under the MoU, Prudential will become the largest shareholder in the joint venture (JV), which is expected to list on Saudi Arabia's exchange (Tadawul). It will acquire a stake in Aljazira's new fund management business, which manufactures local equity and Sukuk products. It will also sell its global funds range via Aljazira.

Upon receiving regulatory approval, the JV will seek both Takaful and fund management licenses. ☺

OMAN

OIFC links up with Oman Qatar

Oman Investment and Finance Co (OIFC) has signed an agreement with Oman Qatar Insurance Co to become exclusive partners to market insurance products. The five-year agreement will end on 31st July 2012.

Under the agreement, the total projected commission income for the contract period will be OMR603,500 (US\$1.57 million) with net revenue of OMR437,500 (US\$1.13 million). OIFC will initially sell the insurance products through three branches and subsequently to other branches. ☺

PAKISTAN

Pak-Qatar's first issuance

Newly launched Pak-Qatar Family Takaful has issued Pakistan's first ever Family Takaful policy to Sidat Hyder Morshed Associates (SHMA). The issuance makes Pak-Qatar Family Takaful the first Family Takaful operator in Pakistan.

SHMA is a management consulting, technology services and outsourcing practice that has been operating since 1986. Its core practices include actuarial and insurance consulting, human resources consulting, business systems consulting, information solutions and services. ☺

SAUDI ARABIA

BUPA approved

The Saudi Council of Ministers has approved BUPA Arabia to operate as a licensed cooperative healthcare insurance company in the country.

BUPA Arabia, currently known as BUPA Middle East, will have a capital of SAR400 million (US\$106.67 million) and is seeking to raise SAR160 million (US\$42.66 million) via an initial public offering slated for early 2008. The company will offer up a 40% stake via 16 million shares at SAR10 (US\$2.66) each. This is in line with the central bank's regulations for newly licensed insurance firms. ☺

SYRIA

Insurance market grows 25%

Total premiums of the Syrian insurance market grew by 25% year-on-year reaching SYP 4.28 billion (US\$83.45 million) in the first half of 2007. Third-party motor insurance continued to represent the main income source with SYP 1.76 billion (US\$34.38 million), followed by fire at SYP 800 million (US\$15.62 million), all-risk car insurance at SYP 772 million (US\$15.08 million), and marine, engineering and health at SYP113 million (US\$2.2 million).

State-owned Syrian Insurance Co (SIC) remains the market leader with a total premium income of SYP 2.76 billion (US\$53.92 million), followed by the Syrian Kuwaiti Insurance, Syrian Arab Insurance and AROPE Syria at SYP 143 million (US\$2.79 million). Market liberalization is believed to have boosted earnings. ☺

Islamic Finance training

Train the Trainer Program: Takaful and re-Takaful Products

© Islamic Finance Training

We are pleased to announce the introduction of a specialized education program to promote the understanding of global Takaful and re-Takaful products and markets.

The program consists of two parts:

Part one is a comprehensive training manual detailing Takaful products and markets. This will be a unique reference and teaching resource for all those involved in this growing market.

Part two is a Train the Trainer course, to be conducted in Kuala Lumpur in November (and in GCC in 2008) over 3 days. This course will teach participants about key aspects of the Takaful market, but more importantly how to train their own staff using the manual.

Please contact
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Boost for Malaysia's Takaful sector

By Arfa'eza A Aziz

Malaysia's Takaful industry started out modestly in 1995 but thanks to increasing interest in Islamic products, it has grown from strength to strength over the years.

In the recent Budget 2008 report presented a fortnight ago, prime minister Abdullah Ahmad Badawi revealed that the country's Takaful industry to date has assets valued at RM7.6 billion (US\$2.2 billion).

Combined Takaful contribution income has increased 36.2% to RM1.2 billion (US\$349 million), accounting for 8.1% of the total premiums of the insurance industry as at end-June.

In the family Takaful sector, new business contributions expanded 198.8% to a total of RM1.07 billion (US\$311 million). Market penetration increased to 6.8% as at end-June (end-2006: 6.6%).

Eager for the industry to flourish further and help the trade-driven economy expand by at least 6% next year, Abdullah introduced "special provisions" in the Income Tax Act 1967 for Takaful, which currently faces the same tax regulations as conventional insurance.

These "improvements", which take effect next year, include:

- Deduction for management expenses incurred by the shareholders' fund;
- Deduction for share of profits distributed from the family fund and general fund to the shareholders' fund;
- Share of profits distributed from the family fund and general fund to individuals to be taxed through a final withholding tax mechanism;
- Wakalah fee received by the shareholders' fund from the family fund and general fund to be treated as business income;
- Deduction allowed for Qard (interest-free loan) from the shareholders' fund and to impose tax on the repayment of Qard.

Representatives of Hong Leong Tokio Marine (HLTM) Takaful told *Islamic Finance news* that the tax breaks would help spur the Takaful industry, stating that the best tax break is the specific tax treatment for Takaful operators.

"The tax breaks such as the 10-year exemption on the management fee derived by companies managing Islamic funds for the local investor can translate to giving better returns to participants, hence making Takaful products more competitive.

"Alternatively, Takaful operators themselves too can explore possibilities to which they can avail to the incentives and reap the benefits of the tax break," said a senior official.

"Traditionally, the withholding taxes are paid on behalf of the non-resident foreign Islamic finance experts. With the withholding tax exemption, the cost of doing business would be reduced. This would also allow Takaful operators to engage more foreign experts if necessary to spur growth."

HLTM Takaful also proposed that the government consider the possibility of giving rebates on the zakat paid and exempting withholding tax on the participants' share of profits as these two actions would further accelerate growth in the industry.

Another Takaful company Takaful IKHLAS, also welcomed the new tax regulations as it will provide a level playing field between the Islamic insurance and conventional insurance sectors. Its representative said that when the changes are implemented, Takaful operators will be at par with the conventional insurance tax calculation.

"The Takaful market will now be more efficient with the new tax regulations," added the representative. With the new regulations, he said, the government has finally tackled a major concern among Takaful companies in the country.

"The government has addressed a major concern of the Takaful business, and that is to recognize fees received by operators as business income and allow for expenses deduction."

While those involved on the retail side seemed happy with Budget 2008, *Islamic Finance news* learnt that their elation has nothing to do with the six proposed amendments to the income tax legislation. They are more excited about the amendment to the workers provident fund, which now allows monthly withdrawals to ease outstanding housing loans.

"The EPF (Employees Provident Fund) regulation will give Malaysians more cash in hand, which they can then use to invest in Takaful products," said one general Takaful manager.

As for the slash in top corporate tax by one percentage point to 25% in 2009, industry sources who spoke to *Islamic Finance news* said this wouldn't be much help to the Takaful industry nor Islamic finance as a whole. What was intended as a bid to improve Malaysia's competitiveness against other regional economies falls flat as the figure is still much higher than Singapore's 18%.

"I am puzzled as to why the government would want to decrease the corporate tax as it is not exactly a pulling factor for foreigners to invest in the Islamic finance sector here. If it wants to use tax as a pulling factor, then it has to do a lot more," said a banker with an Islamic banking institution in Malaysia. ☹

Next Forum Question

Hong Kong's financial secretary has announced plans to launch an Islamic bond market acting as a gateway for Middle Eastern investors to tap into China. What does Hong Kong need to do to ensure a successful entry into this already competitive market?

If you would like to air your views on the next Islamic Finance Forum Question, please email your response of between 50 and 300 words to Christina Morgan, Forum Editor, at: Christina.Morgan@RedMoneyGroup.com before Wednesday 26th September 2007.

CHARLES RUSSELL — Bahrain

Carol Roberts has left law firm Norton Rose's Bahrain practice for Charles Russell's new set-up in the kingdom. As senior counsel, Roberts will oversee the launch of the Manama office. Before joining Norton Rose, Roberts ran a private legal consultancy in Saudi Arabia.

The Bahrain office marks another chapter in Charles Russell's expansion plans following the opening of its Geneva office last year. ☺

NBAD — UAE

The National Bank of Abu Dhabi (NBAD) has appointed Aref Al Khouri as general manager of its Islamic finance subsidiary and Islamic banking window, Abu Dhabi National Islamic Finance (ADNIF).

Aref gained experience through high level positions during his 18 years in one of the world's top investment companies and a premier Islamic bank in the UAE. He has developed strong business ties with clientele in the banking sector and business circles in the UAE and abroad.

Aref's responsibilities as GM of ADNIF will include boosting the bank's corporate, retail finance, treasury and investment banking services. ☺

CREDIT SUISSE — Hong Kong

Ben Ngai has been re-hired from Citigroup as a director of sponsor coverage in Asia excluding Japan, with particular focus on China. In this newly created position based in Hong Kong, Ngai will be responsible for introducing opportunities to private equity clients.

He will report to Matt Whineray, head of sponsor coverage in Asia excluding Japan, and Zhang Liping, chairman and head of China investment banking. ☺

STANDARD & POOR'S — Middle East

Jan Willem Plantagie has been appointed regional manager for Standard & Poor's (S&P) in the Middle East. He will be based at S&P's new office in Dubai from November and will lead efforts to further strengthen the company's presence across the region.

Plantagie, who joined the company in 1998, has been coordinator of S&P's Middle East Taskforce since 2005, and was most recently managing director and head of project finance, PPP and transport infrastructure team at Standard & Poor's Ratings Services. ☺

CITI — Asia-Pacific

Akbar Shah has moved from Citi's Middle East office to Singapore to head the bank's mega wealth business for Asia-Pacific. Having been with Citi for 21 years, Akbar was head of global wealth management business for the Middle East, and has handled ultra high net worth individuals across Malaysia, Brunei and the Philippines.

He will report to Kaven Leung, CEO of Citi global wealth management in the region. ☺

IIFM — Bahrain

The International Islamic Financial Market (IIFM) has appointed Dr Ahmad Rufai Muhammad as head of Shariah. His key responsibilities at IIFM will include coordinating Shariah aspects of IIFM's initiatives with Shariah scholars within the banking sector and neutral Shariah scholars.

Previously, Ahmad Rufai was Shariah adviser with Crescent Financing Co in Hamilton, New Zealand, where he was responsible for ensuring Shariah compliance of the company's transactions and products. He had also served with Crescent Risk and Wealth Management Consultancy in Malaysia.

A national of Ghana, Ahmad Rufai obtained his Ph D and Master's in Takaful and Islamic Law from Universiti Malaya, Kuala Lumpur. He has a Bachelor's in Islamic law and Islamic jurisprudence from the Islamic University of Madinah in Saudi Arabia. He also studied Islamic jurisprudence and Islamic history at Al-Azhar University in Cairo, Egypt.

Ahmad Rufai, who speaks fluent Malay, has more than 15 years' experience in Shariah advisory. ☺

CALYON — Asia

Julian Ostheim has been appointed head of acquisition and leveraged finance for Calyon's non-Japan Asia activities. He replaces Christophe Cerisier, and will now report to Sanjay Gupta and Pierre-Philippe Martin, co-heads of structured finance in Asia. ☺

PRIVATE BANKING MENA 2007

9 - 11 December 2007, Shangri-La Hotel, Dubai, UAE



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Deal tracker

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ISSUER	SIZE (million)	INSTRUMENT
Al Rajhi Cement	US\$595	Straight Sukuk
Century Paper & Board Mills	US\$49.38	Private placement
Engro Chemical Pakistan	US\$49.38	Private placement
BCHB	US\$1.71	ICP/MTN
UEM Group	US\$230.66	Musharakah MTN
Sunway Infrastructure	US\$579.56	BBA restructuring
Perusahaan Listrik Negara	US\$33.97	Ijarah
Dubai Financial	TBA	Sukuk
Thani Investments	US\$100	Sukuk
Al Imtiaz Investment	US\$75-150	Sukuk
Haisan Resources	US\$58.79	Sukuk Ijarah
IJM Corporation	US\$511.60	Sukuk Istisnah
Ras Al Khaimah Investment Authority	US\$400	TBA (Sukuk)
ARAPESONA	US\$56.9/US\$19.9	ICP/MTN
Bank Syariah Mandiri	US\$3.25	Subdebt
Cagamas	US\$584.60	TBA
Gamuda	TBA	Murabahah or Musharakah
Saudi Electric Company	US\$4,000	Sukuk
MTC	US\$1,200	Sukuk
Prolintas	US\$240.70	Senior Ijarah/Junior Musharakah
Tomei Consolidated	US\$28.50	Islamic Commercial Papers
Sui Southern Gas Co.	US\$49	Islamic Commercial Papers
JBIC	US\$250-US\$350	Sukuk
Dynamic Communication	US\$143.40	Istisnah/MTN program
GLOMAC	US\$50.18	Murabahah MTN program
Indonesia Comnets Plus	US\$11.02	Sukuk Murabahah
Karachi Shipyard	US\$69.19	TBA
Kwantas	US\$69.19	Murabahah/Off CP/MTN program
Malaysia International Shipping	US\$286.30	Sukuk Murabahah
Gamuda	US\$256	ICPs/IMTNs
Islamic Development Bank	US\$142.40	Ringgit denominated Sukuk

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

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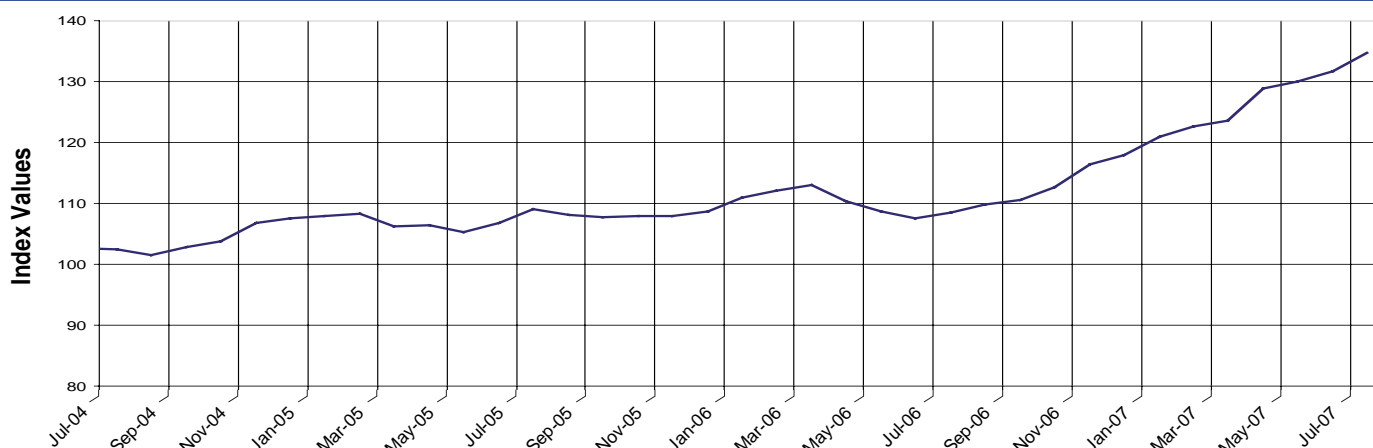
Of Counsel
Bener Law Office

Prof Rodney Wilson

Director
Durham University

Mr Sohail Zubairi

Vice President & Head Shariah
Coordination
Dubai Islamic Bank

Eurekahedge Asia Pacific Islamic Fund Index

Monthly returns for Developed Markets funds (as of 19th September 2007)

FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1 Global Equity Trading Fund (Al-Manal)	Samba	3.69	Saudi Arabia
2 International Equity & Trade Finance Fund (Al Wasat)	Samba	1.82	Saudi Arabia
3 Islamic Al Yusr Certificate on the ABN AMRO US Opportunities Fund A	ABN AMRO Bank	1.73	Not disclosed
4 Solidarity European Real Estate Fund	Solidarity Funds Company	0.54	Bahrain
5 Azzad Ethical Income Fund	Azzad Asset Management	-0.17	US
6 AlAhli US Trading Equity Fund	National Commercial Bank	-0.43	Saudi Arabia
7 Dow Jones Islamic Fund	Allied Asset Advisors	-0.68	US
8 Global Equity Fund (Musharakah)	Riyad Bank	-1.16	Saudi Arabia
9 Amana Growth	Saturna Capital	-1.58	US
10 AlAhli Islamic US Equitybuilder Certificates	National Commercial Bank	-1.69	Germany
<i>Eurekahedge Developed Markets Islamic Fund Index*</i>		1.85	

Monthly returns for Emerging Markets funds (as of 19th September 2007)

FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1 DWS Noor Asia-Pacific Equity Fund (Class A)	DWS Noor Islamic Funds	15.23	Ireland
2 FALCOM Saudi Equity Fund	FALCOM Financial Services	13.93	Saudi Arabia
3 Al-Saffa Saudi Equity Trading Fund	Banque Saudi Fransi	13.92	Saudi Arabia
4 Islamic Certificate on the LLB Eastern Hilal TR Index	ABN AMRO Bank	13.87	Switzerland
5 Gulf Industrial Companies Fund	Saudi Investment Bank	13.18	Saudi Arabia
6 Saudi Companies Fund	Saudi Investment Bank	13.07	Saudi Arabia
7 Riyadh Equity Fund 2	Riyad Bank	12.99	Saudi Arabia
8 Bakheet Saudi Trading Equity Fund	Bakheet Investment Group	11.04	Saudi Arabia
9 Saudi Equity Fund (Al Raed)	Samba	10.41	Saudi Arabia
10 Amanah Saudi Industrial Fund	Saudi British Bank	10.26	Saudi Arabia
<i>Eurekahedge Emerging Markets Islamic Fund Index*</i>		2.55	

Contact Eurekahedge

To list your fund or update your fund information: islamicfunds@eurekahedge.com

For further details on Eurekahedge: information@eurekahedge.com

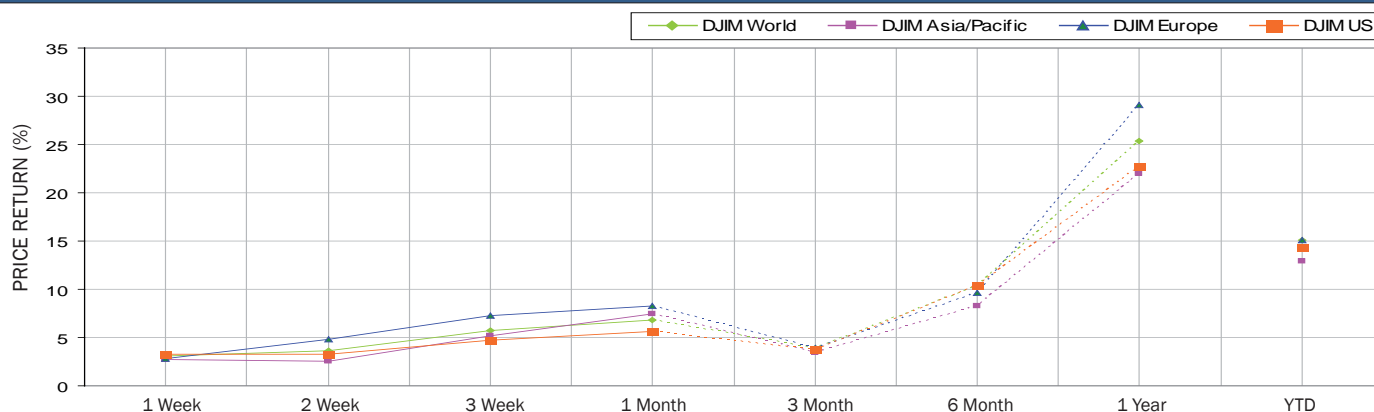
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Data as of the 19th September 2007

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	3.11	3.68	5.70	6.84	3.88	10.34	25.37	15.13
DJIM Asia/Pacific	2.74	2.53	5.19	7.44	3.46	8.27	22.03	12.87
DJIM Europe	2.82	4.80	7.30	8.25	3.89	9.67	29.05	15.10
DJIM US	3.31	3.29	4.72	5.66	3.70	10.33	22.69	14.39

PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	3.19	4.04	5.84	7.36	5.25	12.05	22.84	13.64
DJIM Asia/Pacific Titans 25	3.69	3.06	4.86	8.09	5	10.93	26.86	15.47

DESCRIPTIVE STATISTICS	Index	Component number	Market Capitalization (US\$ billions)				Component Weight (%)			
			Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
	DJIM World	2412	19640.24	16576.21	6.87	1.59	524.48	0.02	3.16	0
	DJIM Asia/Pacific	1001	3858.34	2704.02	2.70	0.65	116.23	0.02	4.30	0
	DJIM Europe	353	4903.16	3924.59	11.12	2.92	225.90	0.26	5.76	0.01
	DJIM US	723	9417.18	8888.89	12.29	3.35	524.48	0.24	5.90	0
	DJIM Titans 100	100	8761.43	7964.80	79.65	57.20	498.63	14.71	6.26	0.18
	DJIM Asia/Pacific Titans 25	25	1273.41	906.27	36.25	27.46	104.54	14.71	11.53	1.62

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

RINGGIT ISLAMIC DEBT MARKET: WEEKLY SNAPSHOT

AS AT 19th September 2007

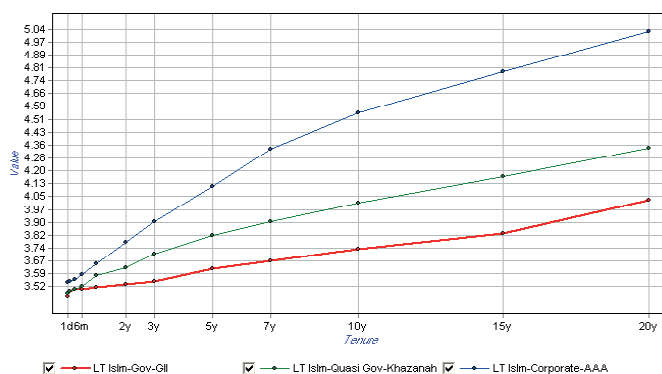
Key Benchmarks Trend (by volume)	Rating	This week's close (RM)	12 September 07 (RM)	5 September 07 (RM)	29 August 07 (RM)
Private Debt Securities					
RANTAU IMTN 15.03.2011 – MTN 1	RAM (AAA)	101.61	101.53	101.17	101.14
MALAKOFCRP IMTN 5.983% 30.04.2015 – MTN 003	RAM (AA3)	105.18	104.04	103.29	102.73
S GATEWAY 0% 18.11.2014	MARC (AAA IS)	104.18	104.56	103.95	103.90
RANTAU IMTN 0% 14.08.2013 – MTN 2	RAM (AAA)	104.23	104.22	103.75	103.97
HARUM IMTN 4.500% 28.09.2010	MARC (AA-ID)	100.43	100.99	100.79	100.83
Government Investment Instruments					
PROFIT-BASED GII 2/2007 15.06.2017	N/A	101.70	101.79	101.49	101.37
PROFIT-BASED GII 3/2007 14.09.2012	N/A	99.92	N/A	N/A	N/A
PROFIT-BASED GII 1/2007 15.03.2010	N/A	100.10	100.12	100.09	100.09
PROFIT-BASED GII 3/2006 15.11.2016	N/A	100.65	100.90	100.58	100.47
Quasi Government					
SILTERRA CAP 3.900% 06.06.2014	N/A	100	100	99.82	98.77

SPREAD VS GII (in b.p.)

	TENURE					
	1Y	2Y	3Y	5Y	7Y	10Y
GII	3.51	3.53	3.55	3.62	3.67	3.74
Cagamas	0.07	0.11	0.19	0.31	0.41	0.51
Khazanah	0.07	0.10	0.16	0.20	0.23	0.27
AAA	0.14	0.25	0.35	0.49	0.66	0.81
AA1	0.27	0.39	0.50	0.68	0.88	1.04
A1	1.43	1.61	1.79	2.12	2.43	2.87

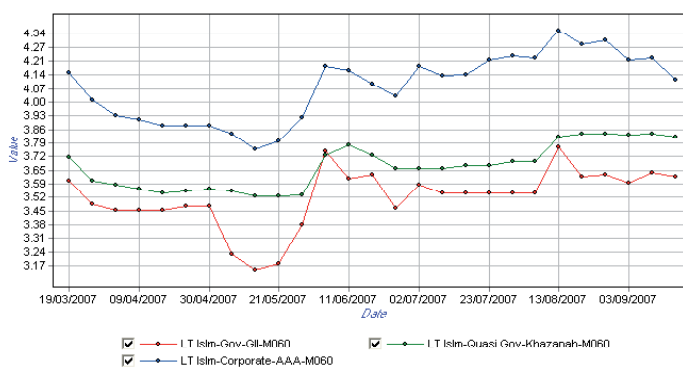
MYR ISLAMIC DEBT YIELD CURVES

YTM Curves



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5 YEAR YTM Historical Charts (weekly closing, over last 6 months)



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TOP ISSUERS OF ISLAMIC BONDS							SEPTEMBER 2006 – SEPTEMBER 2007
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager	
1 Malaysia	Malaysia	Sukuk	3,687	4	11.3	Malaysian Government bond	
2 Nakheel Development	UAE	Convertible Sukuk Ijarah	3,520	2	10.8	Barclays Capital, Dubai Islamic Bank	
3 Aldar Funding	Malaysia	Exchangeable Sukuk Mudarabah	2,530	1	7.8	Barclays Capital, Credit Suisse Securities (Europe), Abu Dhabi International Bank	
4 Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	6.5	HSBC Saudi Arabia, Riyad Bank	
5 Nucleus Avenue (M)	Malaysia	Sukuk Musharakah MTN	1,994	9	6.1	CIMB	
6 DP World Sukuk	UAE	Sukuk Mudarabah	1,496	1	4.6	Barclays Capital, Citigroup Global Markets, Deutsche Bank, Lehman Brothers	
7 Saudi Electricity	UAE	Sukuk	1,333	1	4.1	HSBC Saudi Arabia	
8 Dubai Sukuk Center	UAE	Sukuk Mudarabah	1,248	1	3.8	Deutsche Bank (London), Goldman Sachs International	
9 Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	1,000	1	3.1	ABC Islamic Bank, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank, Kuwait Finance House, Unicorn Investment Bank	
10 Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	2.6	Deutsche Bank, JP Morgan, CIMB	
11 Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	2.6	Citigroup, CIMB	
12 ADIB Sukuk	UAE	Sukuk Ijarah	800	1	2.5	HSBC	
13 DIB Sukuk	UAE	Sukuk Musharakah	750	1	2.3	Barclays Capital, Citigroup Global Markets, Standard Chartered Bank	
14 Rafflesia Capital	Malaysia	Periodic Payment Exchangeable Trust Certificates	750	1	2.3	CIMB, HSBC Amanah, UBS	
15 Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah MTN	743	18	2.3	CIMB	
16 Cagamas	Malaysia	Bithaman Ajil Islamic Securities/Mudarabah MTN	668	10	2.0	Cagamas, Aseambankers, HSBC, CIMB	
24 Golden Belt 1 Sukuk	Saudi Arabia	Sukuk Manafaa	650	1	2.0	BNP Paribas	
18 Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Residential Mortgage Backed Securities	620	7	1.9	HSBC, CIMB, AmMerchant	
19 DAAR International Sukuk	Saudi Arabia	Sukuk Ijarah	600	1	1.8	ABC Islamic Bank, Arab National Bank, Standard Bank, Unicorn Investment Bank, WestLB	
20 Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	570	1	1.8	CIMB	
Total			32,582	292	100.0		



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TOP ISSUERS OF ISLAMIC BONDS							JANUARY 2007 – SEPTEMBER 2007
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager	
1 Malaysia	Malaysia	Sukuk	2,863	3	11.6	Malaysian Government bond	
2 Aldar Funding	UAE	Exchangeable Sukuk Mudarabah	2,530	1	10.2	Barclays Capital, Credit Suisse Securities (Europe), Abu Dhabi International Bank	
3 Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	8.6	HSBC Saudi Arabia, Riyad Bank	
4 Nucleus Avenue (M)	Malaysia	Sukuk Musharakah MTN	1,994	9	8.1	CIMB	
5 DP World Sukuk	UAE	Sukuk Mudarabah	1,496	1	6.1	Barclays Capital, Citigroup Global Markets, Deutsche Bank, Lehman Brothers	
6 Saudi Electricity	UAE	Sukuk	1,333	1	5.4	HSBC Saudi Arabia	
7 Dubai Sukuk Centre	UAE	Sukuk Mudarabah	1,248	1	5.1	Deutsche Bank (London), Goldman Sachs International	
8 Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	1,000	1	4.1	ABC Islamic Bank, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank, Kuwait Finance House, Unicorn Investment Bank	
9 Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	3.4	Deutsche Bank (Malaysia), JP Morgan, CIMB	
10 Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	3.4	Citigroup, CIMB	
11 DIB Sukuk	UAE	Sukuk Musharakah	750	1	3.0	Barclays Capital, Citigroup Global Markets, Standard Chartered Bank	
12 Cagamas	Malaysia	Bithaman Ajil Islamic Securities/Mudarabah MTN	668	10	2.7	Cagamas, Aseambankers, HSBC, CIMB	
13 Golden Belt 1 Sukuk	Saudi Arabia	Sukuk Manafaa	650	1	2.6	BNP Paribas	
14 Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Residential Mortgage Backed Securities	620	7	2.5	HSBC, CIMB, Aseambankers	
15 DAAR International Sukuk	Saudi Arabia	Sukuk Ijarah	600	1	2.4	ABC Islamic Bank, Arab National Bank, Standard Bank, Unicorn Investment Bank, WestLB	
16 Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	570	1	2.3	CIMB	
24 Silterra Capital	Malaysia	Government Guaranteed Sukuk Ijarah	530	1	2.1	CIMB, HSBC, Citibank	
18 NIG Sukuk	Kuwait	Sukuk Mudarabah	475	1	1.9	BNP Paribas, Citigroup Global Markets, National Bank of Kuwait, Standard Chartered, WestLB	
19 Lebuhraya Kajang-Seremban	Malaysia	Sukuk Istisnah	413	12	1.7	AmInvestment	
20 EIB Sukuk	UAE	Musharakah Sukuk Trust Certificates	350	1	1.4	Emirates Islamic Bank, Standard Chartered	
Total			24,683	193	100.0		

ARE YOUR DEALS LISTED HERE?

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



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 Telephone: +852 2804 1223



ISLAMIC BONDS		SEPTEMBER 2006 – SEPTEMBER 2007		
Manager or Group	Amt US\$ m	Iss.	%	
1	HSBC	4,872	32	15.0
2	CIMB	4,618	66	14.2
3	Malaysian Government bond	3,687	4	11.3
4	Barclays Capital	3,353	6	10.3
5	Dubai Islamic Bank	2,255	6	6.9
6	Citigroup	1,668	6	5.1
7	Deutsche Bank	1,393	18	4.3
8	Riyad Bank	1,066	1	3.3
9	BNP Paribas	845	3	2.6
10	Abu Dhabi Investment	843	1	2.6
11	Credit Suisse	843	1	2.6
12	AmInvestment	739	47	2.3
13	Standard Chartered Bank	710	19	2.2
14	Goldman Sachs	624	1	1.9
15	Aseambankers	527	21	1.6
16	RHB Investment	467	76	1.4
17	UBS	350	2	1.1
18	Lehman Brothers	299	1	0.9
19	Kuwait Finance House	297	9	0.9
20	JP Morgan	283	1	0.9
Total of issues used in the table	32,582	292	100.0	

ISLAMIC BONDS BY COUNTRY		SEPTEMBER 2006 – SEPTEMBER 2007		
	Amt US\$ m	Iss.	%	
Malaysia	14,237	261	43.7	
UAE	10,929	10	33.5	
Saudi Arabia	5,716	5	17.5	
Kuwait	875	4	2.7	
Qatar	300	1	0.9	
Pakistan	210	6	0.6	
Total	32,582	292	100.0	

ISLAMIC BONDS BY CURRENCY		SEPTEMBER 2006 – SEPTEMBER 2007		
	Amt US\$ m	Iss.	%	
US dollar	16,454	22	50.5	
Malaysian ringgit	12,337	258	37.9	
Saudi Arabian riyal	3,466	2	10.6	
Pakistan rupee	210	6	0.6	
Total	32,582	292	100.0	

ISLAMIC BONDS		JANUARY 2007 – SEPTEMBER 2007		
Manager or Group	Amt US\$ m	Iss.	%	
1	HSBC	3,575	27	14.5
2	CIMB	3,536	43	14.3
3	Malaysian Government bond	2,863	3	11.6
4	Citigroup	1,668	6	6.8
5	Barclays Capital	1,593	4	6.5
6	Deutsche Bank	1,393	18	5.6
7	Riyad Bank	1,066	1	4.3
8	BNP Paribas	845	3	3.4
9	Abu Dhabi Investment	843	1	3.4
10	Credit Suisse	843	1	3.4
11	Standard Chartered	710	19	2.9
12	Goldman Sachs	624	1	2.5
13	AmInvestment	565	35	2.3
14	Aseambankers	527	21	2.1
15	Dubai Islamic Bank	495	4	2.0
16	Lehman Brothers	299	1	1.2
17	JP Morgan	283	1	1.1
18	Arab Banking Corp	263	2	1.1
19	Arab National Bank	263	2	1.1
20	Unicorn Investment Bank	263	2	1.1
Total of issues used in the table	24,683	193	100.0	

ISLAMIC BONDS BY COUNTRY		JANUARY 2007 – SEPTEMBER 2007		
	Amt US\$ m	Iss.	%	
Malaysia	10,983	167	44.5	
UAE	6,384	6	25.9	
Saudi Arabia	5,716	5	23.2	
Kuwait	775	3	3.1	
Qatar	300	1	1.2	
Pakistan	210	6	0.9	
Total	24,683	193	100.0	

ISLAMIC BONDS BY CURRENCY		JANUARY 2007 – SEPTEMBER 2007		
	Amt US\$ m	Iss.	%	
US dollar	11,059	16	44.8	
Malaysian ringgit	9,833	165	39.8	
Saudi Arabian riyal	3,466	2	14.0	
Pakistan rupee	210	6	0.9	
Total	24,683	193	100.0	

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DATE	EVENT	VENUE	ORGANIZER
October			
22 nd – 23 rd	Product Development Forum in Banking & Finance	Dubai	Fleming Gulf Conferences
24 th – 25 th	Islamic Finance in North America	New York	IQPC
29 th – 1 st	International Islamic Financial Forum	Zurich	IIR Middle East
30 th – 31 st	Africa Islamic Finance Conference	South Africa	IBC Gulf
31 st – 1 st	Islamic Financing Instruments Asia 2007	Kuala Lumpur	Asia Business Forum
November			
4 th – 5 th	The World Islamic Infrastructure Finance Conference	Doha	Middle East Global Advisors
4 th – 7 th	Middle East Islamic Banking & Finance Summit 2007	Dubai	Association & Communications Events
7 th – 8 th	3 rd WorldAsia Islamic Capital Conference	Pakistan	WorldAsia
8 th	Islamic Finance 2007	London	Financial News
12 th – 14 th	3 rd Annual Achieving Operational Excellence in Banking Summit	Dubai	Fleming Gulf
12 th – 15 th	Islamic Funds World 2007	Dubai	Terrapinn
12 th – 15 th	Islamic Finance and Investment World Africa 2007	South Africa	Terrapinn
18 th – 21 st	Private Equity World MENA 2007	Dubai	Terrapinn
19 th – 22 nd	4 th Kuala Lumpur Islamic Finance Forum 2007	Kuala Lumpur	CERT
20 th – 21 st	International Islamic Finance Congress	Dubai	Dome Exhibitions
26 th – 27 th	Asia Capital Markets Forum	Hong Kong	Euromoney
26 th – 28 th	Private Equity World Espana 2007	Spain	Terrapinn
27 th	3 rd Seminar on the Regulation of Takaful	Cairo	IFSB
27 th – 28 th	National Conference in Islamic Finance 2007	Terengganu	University Darul Iman Malaysia
December			
5 th – 6 th	Islamic Financial Services Forum: The European Challenge	Germany	IFSB
8 th – 10 th	The 14 th World Islamic Banking Conference	Bahrain	Middle East Global Advisors
9 th – 11 th	Global Halal & Islamic Business Forum	Abu Dhabi	IIR Middle East
2008			
January			
21 st – 22 nd	January Financial Series: Risk Management	Dubai	Interactive Events
21 st – 22 nd	January Financial Series: Islamic Finance	Bahrain	Interactive Events

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Published By:  REDmoney

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Individual Annual Subscription Rate:	US\$525
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