

IFN FORUM SAUDI ARABIA

2016

#IFNSaudi16

POST-FORUM ANALYSIS REPORT

28TH NOVEMBER 2016
InterContinental, Jeddah

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Saudi Arabia: Vision 2030 to drive Islamic finance



Islamic finance heavyweight Saudi Arabia has had a tough couple of years with weak oil prices heavily pressuring its finances (and credit ratings). But VINEETA TAN writes that a major economic overhaul and a new ambitious national vision to transform oil-dependent Saudi Arabia into a diversified global investment powerhouse have set the stage for a promising Shariah compliant finance story.

Regulatory landscape

Theoretically, all banking transactions in Saudi Arabia are supposedly Shariah compliant; this however is not the case. While the Kingdom practices Shariah law, its banking laws make no reference to Islamic banking as the country adopts a single regulatory framework for all banks.

Shariah compliance supervisory rests largely on the shoulders of individual Shariah boards of respective banks as there is not a specific body at a national level which oversees the Shariah compliance of financial transactions and products; all banking matters, however, fall under the purview of the Saudi Arabian Monetary Agency (SAMA) which acts as the central bank whereas the nation’s capital markets are regulated by the Capital Market Authority (CMA).

Banking and finance

There are 12 licensed banks in Saudi Arabia and 13 licensed foreign investment banks (including Qatar National Bank which has been granted a license but yet to commence operations) according to SAMA. Out of the 12 domestic banks, four are fully-fledged Islamic banks: Al Rajhi, Aljazira, Alinma, Albilad; with the rest offering Shariah compliant products on a window basis. Jadwa Investment is another CMA-licensed Islamic investment bank.

The drop in oil prices from its mid-2014 peak has exerted significant pressure on the Kingdom’s finances and economic strength as well as its banking sector as a result of reduced government support in times of stress as well as a tougher operating environment among others. Moody’s Investors Service in May 2016 downgraded 11 Saudi banks to reflect the ongoing negative impact of softer oil prices.

According to the latest data from SAMA, total assets of banks reached SAR526.48 billion (US\$140.33 billion) in the second quarter of 2015, higher than the SAR473.36 billion (US\$126.17 billion) the year before. Earnings before tax and Zakat for banks in the same period totalled SAR5.51 billion (US\$1.47 billion) against SAR4.96 billion (US\$1.32 billion) in 2014. Islamic banking assets represent 51.2% of Saudi’s total banking assets and 33% of the global Islamic banking market according to a 2016 EY report.

It is worth noting that Saudi Arabia is reportedly keen to join Turkey, Indonesia and the IDB in becoming a founding member of the IDB’s proposed Islamic infrastructure bank.



Capital markets

Saudi Arabia is one of the world's largest Sukuk issuers after Malaysia although its Islamic debt capital market is not as developed as it could be due to the stiff competition posed by the bank financing segment. According to 12 months rolling data from Dealogic, the Kingdom issued US\$5.2 billion-worth of Sukuk as at the end of May 2016. In the GCC, it is the leading issuer of bonds and Sukuk in 2015, raising US\$35 billion through 15 issues and representing 53.73% of the total value raised by GCC issuers during the year, according to the Kuwait Financial Center. Saudi riyal-dominated GCC issuance was at SAR129.4 billion (US\$34.48 billion) or 52.9% of the total amount. Sukuk issuance witnessed a modest growth of 3.71% to US\$9.56 billion in 2015 from US\$9.22 billion a year earlier.



Several privately-placed offerings have taken place in the first five months of 2016 including Al Bayan Group Holding Company which raised US\$50 million through a three-year Sukuk — becoming the first private conglomerate in the Kingdom to close a private US dollar Sukuk and the 2016 Sukuk pipeline looks robust as several entities have expressed intentions to tap the market including Saudi International Petrochemical Company and Saudi Arabian Airlines. The Saudi Vision 2030 is also expected to spark more Sukuk issuance as the Kingdom readies itself to reduce its dependence on oil and spur private sector investments by launching public-private partnership projects.

Takaful

Practicing a unique cooperative model, Saudi Arabia is considered the world's largest Takaful market commanding almost half (48%) of global contributions and 77% of GCC contributions according to EY which also projected for GCC gross Takaful contributions to reach US\$20 billion in 2017 based on the expectation of 14% annual growth rates over the 2014-16 period. The industry, comprising 35 insurers and 38 brokers, is regulated under the Law on the Supervision of Cooperative Insurance Company by SAMA. Net written premiums in the first half of 2015 reached SAR30.27 billion (US\$8.07 billion) for the protection and health segments whereas the general line realized net written premiums of SAR11.25 billion (US\$3 billion), according to SAMA.

Yet, Saudi Arabia remains a severely underserved and highly concentrated market. At 1.1%, the insurance penetration level of the Kingdom is the lowest compared with regional peers.

Islamic funds

Saudi Arabia has a deep funds industry, reflected by it being the largest fund domicile of the Arab world. As at the 7th June 2016, there are 197 mutual funds registered as Shariah compliant on the Saudi Stock Exchange.

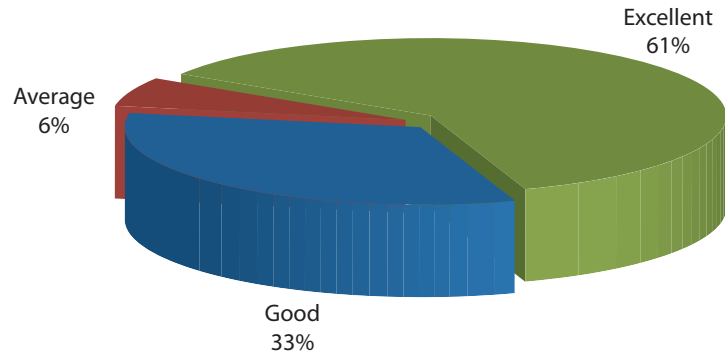


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09:05 - 09:25

Onstage Dialogue with Capital Market Authority

In an engaging and informative onstage exchange, **Mohammed Elkuwaiz**, Vice-Chairman at Capital Market Authority will discuss with **Jawad Ali**, Managing Partner, Middle East Offices at King & Spalding, the Qualified Foreign Financial Institutions Investment in Listed Shares (QFI) Rules and how the initiative has impacted Saudi Arabia's Islamic asset management landscape.



09:25 - 09:35

Welcome Message

Mazen Batterjee — Vice-Chairman, Jeddah Chamber of Commerce and Industry

09:35 - 10:05

Islamic Real Estate Finance: Inward and Outward Bound Investment

Moderator:

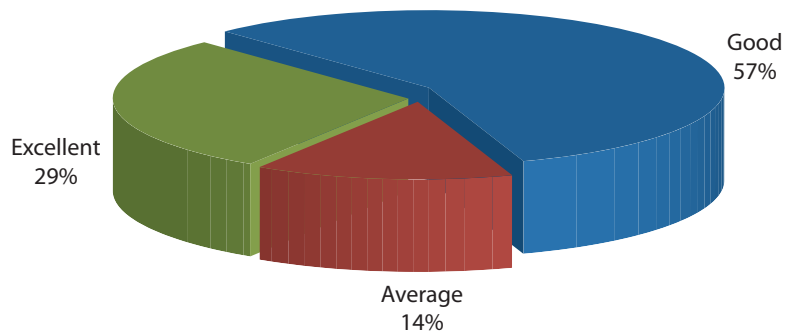
Robin Williamson — Managing Director, Real Estate, Deloitte Corporate Finance

Panelists:

Isam Salah — Partner, King & Spalding

Naim Azad Din — Deputy CEO and Head of Asset Management, Sidra Capital

Sharif El-Gamal — Chairman and CEO, Soho Properties



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10:05 - 10:25 **Developing the Next Generation of Islamic Bankers**

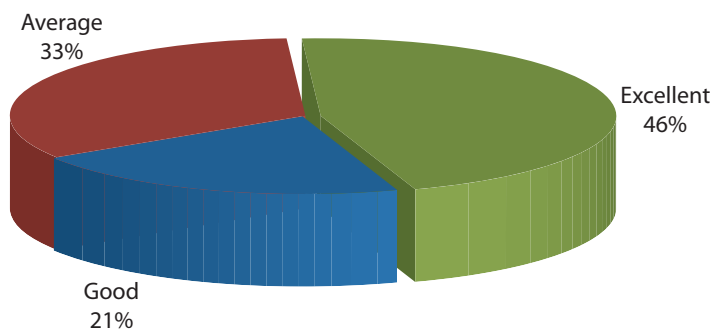
Moderator:

Khairul Nizam — COO, Finance Accreditation Agency, Malaysia

Panelists:

Dr Abdel Aziz Mustafa — Director, Corporate Support, Islamic Corporation for the Development of the Private Sector (ICD)

Gonzalo Rodriguez — General Coordinator, Saudi Spanish Center for Islamic Economics and Finance, IE Business School



10:55 - 11:30 **Financing Saudi Arabia's Mega-Deals: Potential for Shariah compliant Financing**

Moderator:

Mahmoud Abdel-Baky — Of Counsel, Law Firm of Wael A Alissa

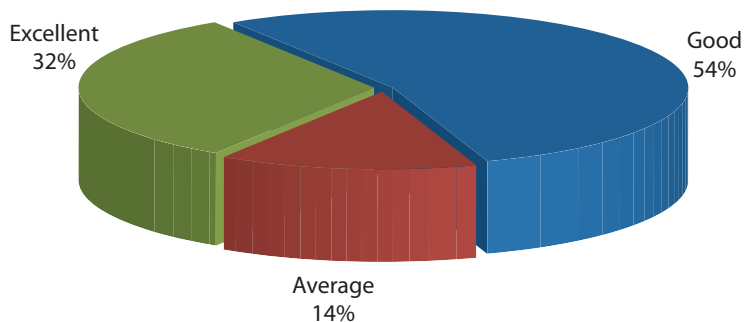
Panelists:

Mansoor Durrani — Senior Vice-President and Head of Project Finance, National Commercial Bank

Mohamed Hamra-Krouha — Partner and Head, Banking and Projects Practice, Clifford Chance

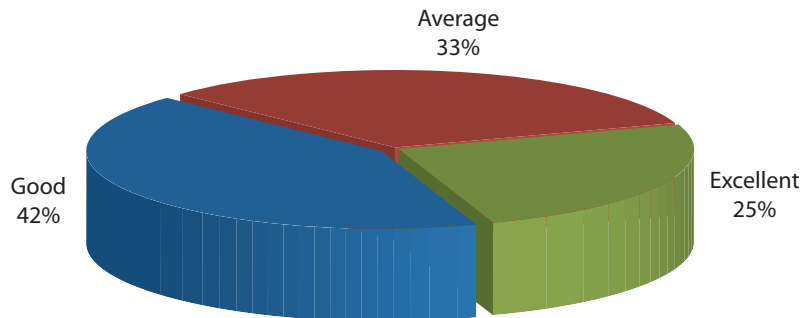
Mohammad Safri Shahul Hamid — Senior Managing Director and Deputy CEO, CIMB Islamic Bank

Stuart Anderson — Managing Director and Regional Head Middle East, S&P Global Ratings



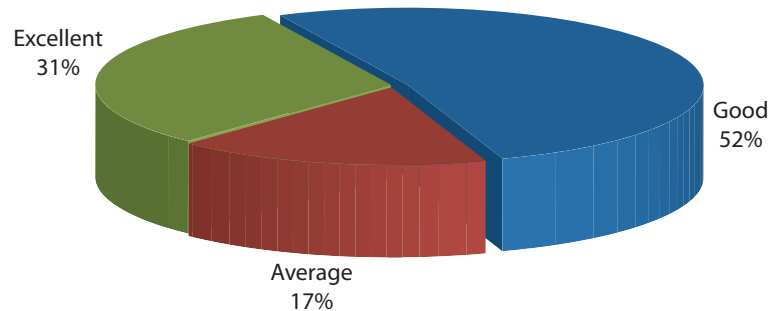
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11:40 - 11:55 **Presentation: Islamic Finance Outlook**
Mustafa Adil — Head of Islamic Finance, Thomson Reuters

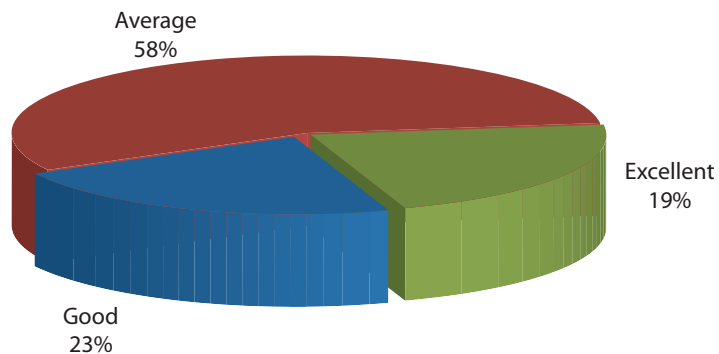


11:55 - 12:30 **Integration of ESG/SRI funds in the Shariah Funds Marketplace**
Moderator:
Lawrence Oliver — Director and Deputy CEO, DDCAP

Panelists:
Abdul-Rahman Hammad — Regional Director, IdealRatings
Christian Guckel — Chief Risk Officer, SEDCO Capital
Rehan Pathan — Partner, Head of Middle East and Asia, Arabesque Asset Management
Stuart Hutton — Chief Investment Officer, Simply Ethical



12:30 - 12:40 **Presentation**
Lawrence Oliver — Director and Deputy CEO, DDCAP

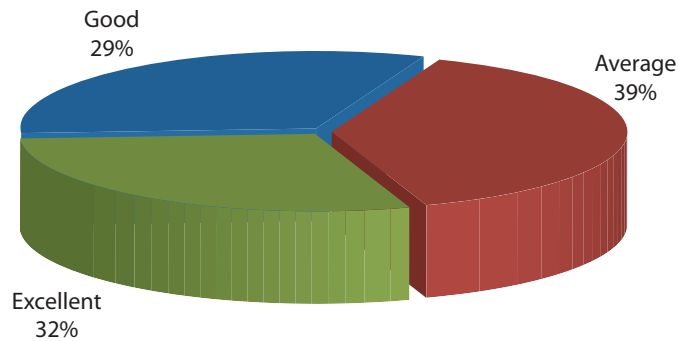


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12:40 - 13:10 **Presentation: Equity Investment into European and US Real Estate**

Isam Salah — Partner, King & Spalding

Jawad Ali — Managing Partner, Middle East Offices, King & Spalding



13:10 – 13:30 **Islamic Capital-Raising: Taking the Private Placement Route**

Moderator:

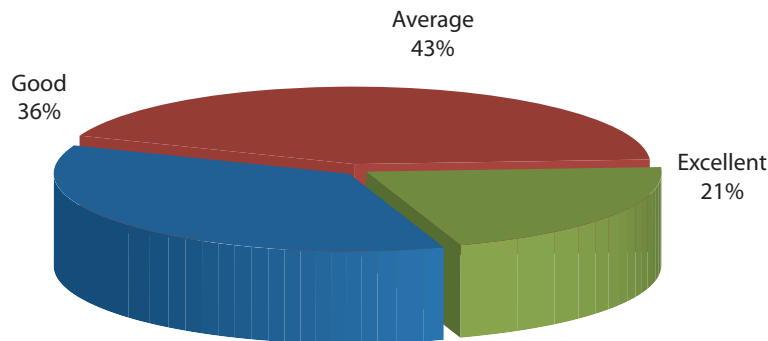
Hani Ibrahim — Managing Director and Head of Debt Capital Markets, QInvest

Panelists:

Ahsan Ali — Head of Islamic Origination, Standard Chartered

Ivo Detelinov — Senior Portfolio Manager, Riyadh Capital

Nabil Issa — Partner, King & Spalding



13:30 – 14:05 **The Hunt for Yield, Preservation of Wealth and the Integration of Financial Technology in Islamic Asset Management**

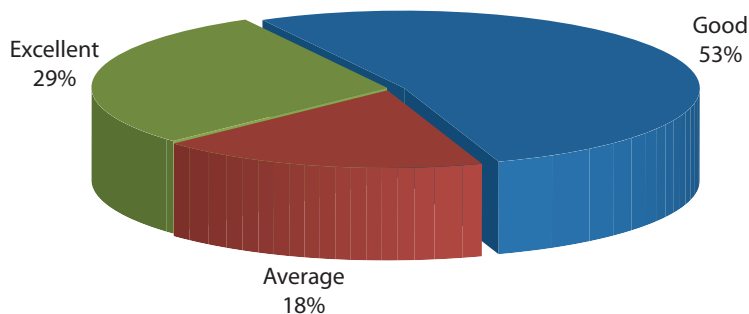
Moderator:

Ramli Kamsari — CEO, Nomura Islamic Asset Management

Panelists:

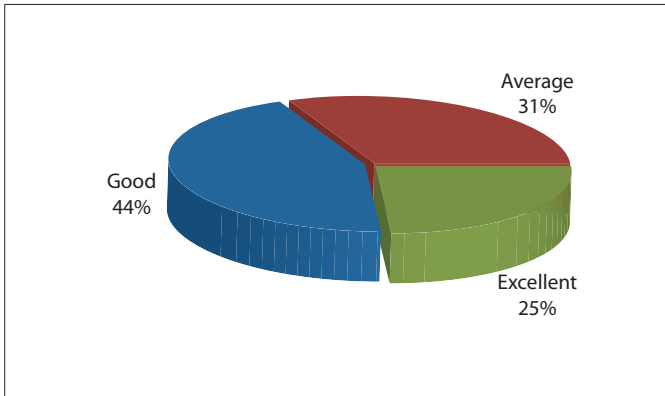
Najmi Mohamed — CEO, PMB Investment

Stuart Hutton — Chief Investment Officer, Simply Ethical

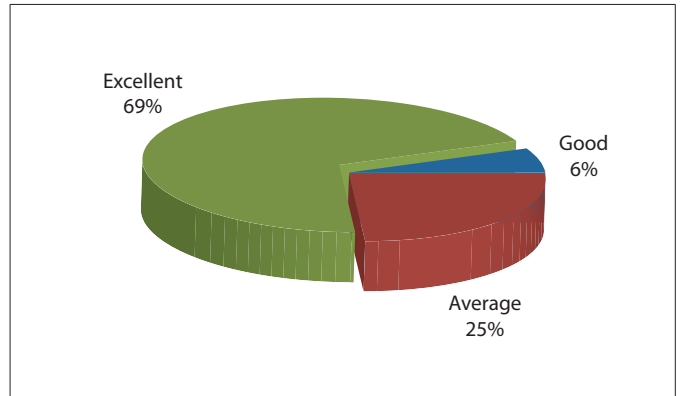


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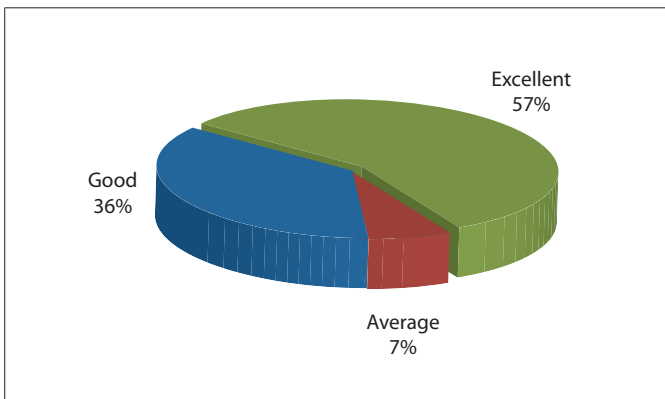
Pre-event Contact



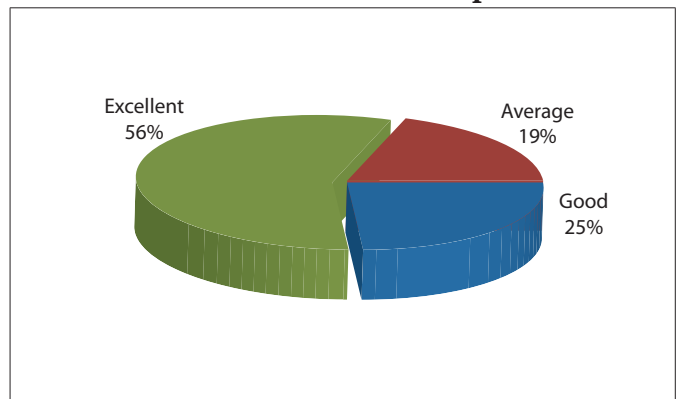
Overall Evaluation of the Event



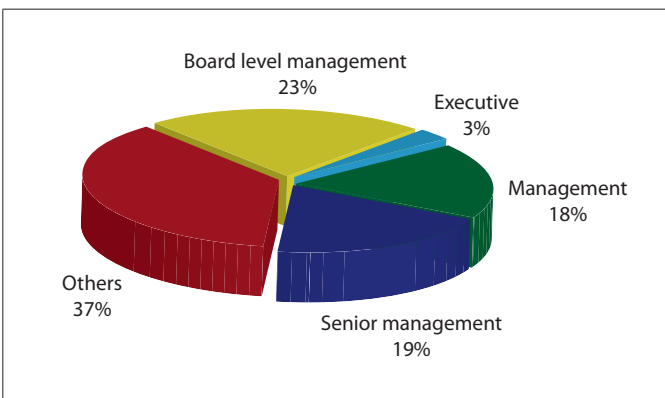
Venue and Facilities



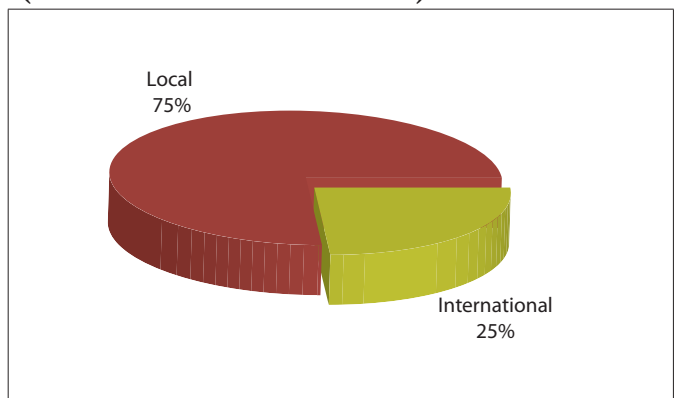
Overall Evaluation of the Speakers



Delegate Job Title Breakdown



Delegate Breakdown (International and local)



Board level management	35
Senior management	28
Management	27
Executive	5
Others	56
Total	151

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To view what it was like on the day of our event, view the photo gallery on our website:
<http://redmoneyevents.com/main/event.asp?IFN=SaudiArabia2016>

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SPEAKERS

COMPANY	NAME	JOB TITLE
Al Rajhi Bank	Hidayathullah Baig	Senior Director
Al-Faris International	Osama Bukhari	CEO
Arabesque Asset Management	Rehan Pathan	Partner
Capital Market Authority	Mohammed Elkuwaiz	Vice-Chairman
CIMB Islamic Bank	Mohammad Safri Shahul Hamid	Deputy CEO
Clifford Chance	Mohamed Hamra-Krouha	Partner
DDCap	Lawrence Oliver	Director and Deputy CEO
Deloitte	Robin Williamson	Managing Director
Dentons	Mahmoud Abdel-Baky	Of Counsel
FAA, Malaysia	Khairul Nizam	COO
Finocracy	Mohammad Raafi Hossain	CEO
ICD (IDB Group)	Dr Abdel Aziz Mustafa	Director
Idealratings	Abdul-Rahman Hammad	Regional Director
Jeddah Chamber Of Commerce & Industry	Mazen Batterjee	Vice Chairman
King & Spalding	Jawad Ali	Managing Partner
King & Spalding	Isam Salah	Partner
King & Spalding	Nabil Issa	Partner
National Commercial Bank	Mansoor Durrani	Senior Vice-President and Head
Nomura Islamic Asset Management	Ramlie Kamsari	CEO
PMB Investment	Najmi Mohamed	CEO
Qinvest	Hani Ibrahim	Head
Riyad Capital	Ivo Detelinov	Senior Portfolio Manager
S&P Global Ratings	Stuart Anderson	Managing Director and Regional Head
Saudi Spanish Center For Islamic Economics & Finance	Gonzalo Rodriguez	General Coordinator
Sedco Capital	Christian Guckel	Chief Risk Officer
Sidra Capital	Naim Azad Din	Deputy CEO
Simply Ethical	Stuart Hutton	Chief Investment Officer
Soho Properties	Sharif El-Gamal	Chairman and CEO
Standard Chartered	Ahsan Ali	Head, Islamic Origination
Thomson Reuters	Mustafa Adil	Head of Islamic Finance

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IFN Saudi Arabia Forum 2016 sessions would be broadcast on IFN-TV. For more info, visit <http://ifn-tv.com/> to know more. IFN-TV Channel is a fresh new media platform video content. All IFN Forums are filmed session by session and uploaded to IFN-TV, allowing you to revisit your favorites, catch up on sessions you missed or share clips of interest with others — and offering those unable to attend a vital alternative to access invaluable industry insights. The channel will also host exclusive interviews with industry leaders, along with discussions, roundtables, seminars and much more.

COMPANY LISTING

Abdul Latif Jameel Co | Abdulaziz Ali Alsudais & Sons | Abdullatif Alissa Group Holding | Abuhimed Alsheikh Alhagbani Law Firm | ACR Retakaful | Addat | Adeem Capital | Agla Group | Al Awwal Capital | Al Nefae | Al Rajhi Bank | Al Riqa Int Est | Al Swat | Alajaji Financial Advisory | Alawwal Capital | Algasim Zamakhchary | Al-Haramain Global Learning Academy | Alloymted | Almahdaly | Almaqased Economic Advisory Center | Al-Nefae Investment Group | Al-Rajhi Bank | Alshaya Group | Al-Yamama Group of Companies | AM Investment Holding | Americed Tech | Amicale Intellectuels Musulman | Amlak International (Finance) | Amomi | Anefi | Anfaal Capital | Arab News | Argaam | Argaam Plus | AS&H Law Firm | Astatin International | Ateon Technology | Australian Trade Commission | Badir Program Technology Incubator | Bahra Development Est | Bakheet Co | Bakodah & Aboulkhair | Bank Al Jazira | Basetech | Baton Global | Benin | Berkeley Group | BGC Brokers | Bin Dawood Group | Bindawood Superstores | Blackcube Advisory | Blue Sky | BMO Global Asset Management | Bougary Group | Brunswick Group | Canadian University Dubai | Capital Market Authority of Saudi Arabia | Chartered Institute of Islamic Finance Professionals | Chevron | CIMB Principal Islamic Asset Management | CIMB Islamic | Cipfu Sarl | Citco Fund Services | Clyde & Co | Colliers International | Consulate General of Cote d'Ivoire | Consulate General of Ivory Coast in Jeddah | DDCAP | Desert Technologies | Dhabaan & Partners | Dhabaan & Partners-Eversheds | DHL | Dispatch Global Group | Dr Elgari Consultancy | Effat University | Eiger Trading Advisors | Embassy of United States | Ernst and Young | Euroclear Bank | Fakieh Group | Fariz Halim & Co | Fas Holding Group | Finance Accreditation Agency | Financial Times | Financial Training Center | Finocracy | Fuchs Petroleum | Fuji Office Machines Fze | Gulf Union Economic Forum | Hammad & Al Mehdar Law Firm | ICD | Idealratings | IE Business School | IFL Training | Imam Islamic University | Impact Hub Madrid | Inventis Investment Holdings | Islamic Corporation for Development of the Private Sector | Islamic Development Bank | Islamic Economics Institute | Islamic Research & Training Institute | ITFC Islamic Development Bank | Izdiad Arabia Trading | Jeddah Chamber of Commerce & Industry | Jones Day in Asso with Ebrahim | Jones Lang Laslle | Jonesday | K&L Gates | Kawthar for Real Estate | KBCorp | King & Spalding | King Abdulaziz University | Labuan Financial Services Authority | Labuan IBFC | Latham & Watkins | Law Firm of Khalil Khazindar | Legacy Line Family Office | Ijazira Capital | Manafai International | Manafai International Trade | Maples Fund Services | Marmara University | NADEC | Nas Holding | National Commercial Bank | NCB Capital | Nomura Islamic Asset Management | OJSC "Bank Eskhata" | Ovalley | Oxford Business Group | Parsons | Path Solutions | Pelaburan MARA | Polar Cloud Engage Smart Solutions | PricewaterhouseCoopers (PwC) | Qaemah Real Estate Developing | Real Estate Buildings | Reaya Holding | Republique De Cote d'Ivoire - Union, Discipline & Travail | Richard Pieris Finance | Ridge Capital Holding | Riyadh Bank | SAF Innovative | Safa Invest, Iwamsa | Safra | Salam Factory | Samba Financial Group | Saudi Binladin Group | Saudi British Bank (SABB) | Saudi Hollandi Bank | Saudi Orix Leasing | Sawaa International | Sedco Capital | SETE Saudia | Shariyah Review Bureau | Sidra Capital | Simah Rating Agency | Simmons & Simmons | Soho Properties | Stibbe | Swicorp | Taj Hana Property | Tamkeen Industrial & Trading | Thamer & Dafer Law Firm | The Business Year | Thomson Reuters | TRI Information Solutions | Trowers & Hamlins | United Energy | Wehadat | White & Case | WSI Digital Marketing |