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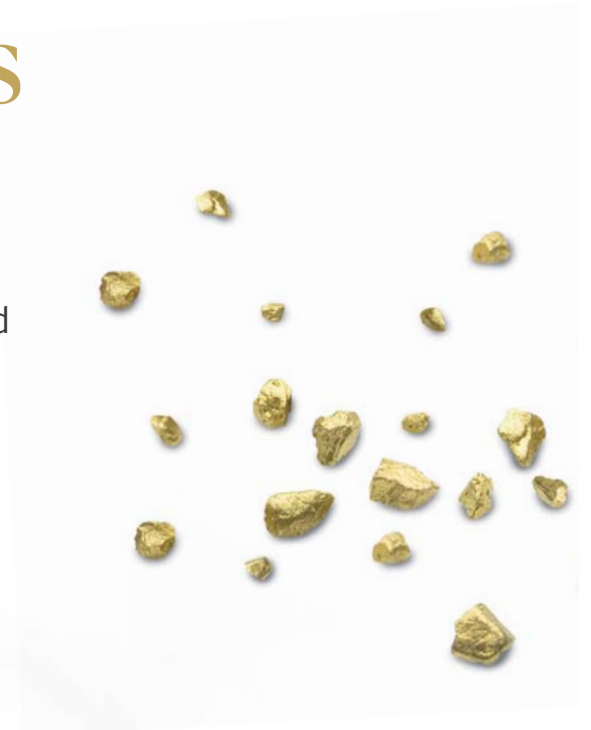
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Published By: (→) **REDmoney**

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Kuwait: Slow and steady



Kuwait may be a nation of only four million, but its Islamic banking and finance prowess is formidable. It holds the fifth-largest concentration of Shariah banking assets in the world and with a 39% domestic Islamic finance market share, it is one of only 11 countries identified by the IFSB where Islamic finance has achieved systemic importance.

The Kuwaiti Sukuk market is gradually picking up and although corporates remain rather lukewarm to the Islamic debt capital market while the long-awaited sovereign Sukuk continues to be far from sight, however, market participants have noted a sizeable uptick in Islamic securitization and Shariah structured finance products.

Industry players are cautiously optimistic about the opportunities the government's current five-year development plan would bring. Although less than one-fifth of the previous (2010-14) five-year development plans were implemented, market players are noting positive progress this cycle and believe that Shariah compliant instruments could be an important part in funding massive infrastructure projects of the country. The infrastructure sector is expected to grow 15-20% under the 2015-20 development plan.

While macroeconomic pressures remain, Kuwaiti banking fundamentals continue to be strong with banking asset quality improving year-on-year and its asset management industry — a top-10 in the global Islamic funds space by size — poised for expansion. The Persian Gulf country could very well be one of the few to have its Shariah finance sector break the 50% domestic market share mark over the next few years.

Most sincerely,

Vineeta Tan
Managing Editor
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Kuwait: Building on banking strength

Amidst the political tension in the GCC, the time is perhaps right for one member to do all it can to grow its Islamic finance prowess, as investors look for new markets and opportunities in the region. DURGAHYENI MOHGANA SELVAM provides a bird's-eye view on Kuwait's Shariah finance landscape.

Regulatory landscape

Kuwait's Islamic banking and finance industry has been backed by significant regulations via the efforts of the Capital Markets Authority (CMA) and the Central Bank of Kuwait (CBK). It is widely acknowledged that the CMA has implemented effective measures to upgrade the legal infrastructure to facilitate Islamic capital market transactions.

Shariah banks are regulated under Law No 30 of 2003 which was expanded to include new rules on currency. In November 2015, the CMA issued Sukuk regulations. The CMA Law, which amended the Kuwaiti Companies Law 10/2012, removed the restriction on the size of a Sukuk program a company may issue and also provided greater clarity on issuance including in the area of structuring and governance.

The regulator is also working on regulations for a secondary market to trade bonds and Sukuk. In December 2016, the CBK also issued new rules concerning the internal and external oversight of Shariah compliant lenders. The rules are expected to be implemented this year. One recurring issue is the disconnect between laws — for example, between the Commercial Law and the CMA's laws on issuances — creating discrepancies, confusion and inefficiencies in the Islamic markets.

Sukuk

The Kuwaiti Islamic debt capital market saw a handful of new issuances in recent times. More financial institutions are expected to jump onto the bandwagon, including Boubyan Bank, Noor Financial Investment and Aviation Lease and Finance Company.

Traditionally, corporate Sukuk papers were usually from financial institutions, but analysts say that times are about to change with more companies with various businesses expected to tap the market, especially with the ongoing GCC dispute which is expected to bring in an inflow of investors into Kuwait. An example is Alargan Real Estate which announced its intention to issue Sukuk. A surge was witnessed in the sovereign's short-term papers issued under the Tawarruq structure.

An ongoing concern, however, is that the primary market — Islamic and conventional — is not deep enough to spur secondary market activities as securities are mainly traded over the counter or held to maturity.

Banking and finance

Kuwait has 11 local banks in total, of which six are Shariah compliant, compared to just one out of 12 branches of foreign banks, making its domestic banking system heavily dependent on Shariah finance (See IFN Cover Story Volume 14 Issue 29: 'Kuwait: The unsung success story of Islamic finance?'). The six fully-fledged Islamic banks are Ahli United Bank, Boubyan Bank, Kuwait International Bank, Kuwait Finance House (KFH), Warba Bank and Al Rajhi Bank of Kuwait.

KFH, the first Islamic bank to operate in Kuwait in 1977, holds a 23% share of the nation's total banking system and is present in Germany through Kuwait Turkish Participation Bank — the first fully-fledged Islamic bank in the eurozone nation. It also has a presence in Bahrain, Malaysia and Saudi Arabia.

The banks have generally been performing adequately well, given its struggle during the global financial crisis in 2009. Fitch Ratings in its latest report said that the asset-quality metrics for Kuwaiti Islamic banks have improved in 2016 due to slowing financing growth, the issuance of additional Tier 1 Sukuk, the reduction of higher-risk assets and reasonable internal capital generation. The Commercial Bank of Kuwait, which announced plans to convert itself into being fully Shariah compliant by 2014, has yet to complete its transformation.

Takaful

Takaful in Kuwait is regulated by the Ministry of Commerce and Industry in accordance with Law No 24 of 1961 (Kuwait insurance law), with little recognition or provision of Islamic insurance as a distinctive type of insurance.

Earlier in 2018, it was announced that the country is looking to revise its insurance law. Draft changes to the law include an increase of the minimum capital of a life or non-life insurer and the establishment of an Insurance Supervisory Authority to regulate the industry, among others. There are at least a dozen Takaful operators in the country. In 2017, Bahrain Kuwait Insurance Company (BKIC) announced that it would acquire the remaining 36.31% of outstanding shares of Takaful International Company (TIC) that are currently not owned by BKIC. But as of its latest announcement, the latest TIC share purchase only saw BKIC increasing its stake in TIC from 67.28% to 69.06%.

Asset management

As of the 13th September 2011, the regulation of investment funds was transferred from the central bank to the CMA in accordance with Law No 7 of 2010 concerning the establishment of the CMA and the Regulation of Securities' Activity.

Kuwait has a vibrant Islamic asset management industry. According to data from the CBK, there are 113 investment funds in Kuwait with 50 of them compliant to Shariah principles, and the market is poised for further growth.

Outlook

The tension among the GCC nations has mainly been bad news for most of the nations involved. But with Qatar in a quagmire with Saudi, and with Bahrain and Oman suffering ratings downgrades, it opens up the UAE and Kuwait as options for international investors. Adding this to the strong Shariah banking landscape and strong government efforts to enhance the industry, Kuwait has the potential to grow at par with its regional neighbors.

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The Islamic capital market in Kuwait

Kuwait plays a vital role in the Islamic finance industry, with major contributions such as the establishment of the first Islamic bank in the world, Dubai Islamic Bank, and the launching of Kuwait's first Islamic bank, Kuwait Finance House. The Islamic finance industry in Kuwait has found a way to expand locally and globally, with government support through ownership of shares in most of the leading Islamic financial institutions along with the development of relevant laws and regulations, in addition to enhancing the role of the infrastructure institutions of Islamic economics such as the Kuwait Public Awqaf Foundation and Zakat House. MOHAMAD ALSHURAFa writes.

The private sector also supports the industry with local and overseas expansion, especially in banking and investment sectors. Key achievements of the Islamic capital market in Kuwait include the establishment of the first Islamic investment company in 1992, the launching of the first local Islamic equity fund in 1997 and the issuance of the first Islamic index globally in collaboration with a pioneering Kuwaiti Islamic investment company in 1998.

The rapid progress of the Islamic capital market contributes to the development of a comprehensive Islamic finance industry, with assets under management that increased from US\$700 million in 1993 to more than US\$6 billion in 2016. As of 2017, total Islamic finance assets in Kuwait reached US\$92.7 billion.

“ The Islamic capital market in Kuwait has a bright future ahead of it, especially after the reclassification of Boursa Kuwait as a secondary emerging market by the FTSE ”



One of the major features in Kuwait is that combining Islamic and conventional finance or investment activities under one license is not permissible, thus rendering the model of Islamic windows inapplicable in Kuwait.

The capital market in Kuwait was under the regulation and supervision of the Central Bank of Kuwait (CBK) until 2011 when this responsibility was transferred to the newly established Capital Markets Authority (CMA).

In 2015, the CMA issued 'Resolution No (72) of 2015 on the Issuance of the Executive Bylaws of Law No (7) of 2010 on the Establishment of the Capital Markets Authority and Regulating Securities Activities and its amendments'.

These bylaws are the backbone of the capital markets in Kuwait. It is worth noting that these bylaws are considered a leap forward in the regulation of the Islamic capital market. Such regulations also included a comprehensive Shariah governance model which led to a radical transformation in companies licensed to engage in securities activities in accordance with Islamic Shariah.

Taking a closer look at the Islamic capital market in Kuwait, we find that the products are equities, Sukuk, investment funds and money market instruments; all of the mentioned products are regulated and supervised by the CMA except money market instruments which are regulated and supervised by the CBK.

All of the licensed persons who operate in accordance with the Islamic Shariah provisions shall meet the Shariah governance model requirements which consist of an internal Shariah auditing unit and an external Shariah auditing office. Implementing this model of assigning an external Shariah auditing office to perform an external Shariah audit is considered to be the first of its kind globally.

The present

The size of the Islamic capital market in Kuwait constitutes a considerable percentage of the overall capital markets in the country, with 25 out of 53 licensed investment companies being Islamic investment companies and 24 Islamic investment funds out of 59 investment funds. The Islamic investment funds invest in

three different asset classes: equities, money market and real estate. Looking at the Shariah compliant equities, we found 114 out from 175 companies are Shariah compliant.

The total assets of Islamic investment companies and funds exceed US\$15 billion. In addition to that, there is an important business model for Kuwaiti investment companies, which is to establish investment funds in tax havens (such as the Cayman Islands) and promoting them in Kuwait. NBK Capital ranked as a major investment company with this business model especially for Ijarah funds in the US; the majority of the foreign funds promoted are Shariah compliant.

“ The rapid progress of the Islamic capital market contributes to the development of a comprehensive Islamic finance industry, with assets under management that increased from US\$700 million in 1993 to more than US\$6 billion in 2016. As of 2017, total Islamic finance assets in Kuwait reached US\$92.7 billion ”

The size of Sukuk issuances in Kuwait is relatively small in comparison to the overall Islamic capital market in the country. So far, all the Sukuk issued in Kuwait were by private sector institutions, in the absence of Kuwaiti government or government-related institutions issuing Sukuk; this is despite the fact that the CMA had issued a comprehensive framework for the issuance, listing and trading of Sukuk.

The future

The Islamic capital market in Kuwait has a bright future ahead of it, especially after the reclassification of Boursa Kuwait as a secondary emerging market by the FTSE. Out of the 12 stocks making up the index for Kuwait, 10 of which are Shariah compliant stocks which in total would enjoy significant cash flows of up to US\$450 million.

In addition to this, the capital markets in Kuwait will be included in the annual market classification review for potential reclassification to emerging market status by the MSCI next year. The economy is expected to show growth of 3.8% in 2019, which gives a good indicator about next year's performance. In addition to that, a rebound in oil prices is favorable.

Mohamad AlShurafa is the senior manager at Raqaba Global for Shari'a Consultations. He can be contacted at mohamadalshurafa@raqaba.co.



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Women and entrepreneurship



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Embracing change

At VG, we embrace change, regardless of gender, in a positive way to a) better ourselves and b) provide the best solutions and service for the benefit of our clients. Our women are absolutely integral to leading change as much as are our men. There is a good sense of gender balance. Opportunities and reward are based on achieving objectives and delivery of quality and excellence, not gender.

Empowering women

Samina Akram, the managing director of Samak Ethical Finance, provides her view on embracing change and women empowerment:

"We are all talented and each and every one of us has unique skills. However, throughout history many cultures, societies and countries have placed many barriers and obstacles before us. For centuries, women in particular have faced much oppression. Women in certain societies have been denied political voices, economics voices, academic voices and social voices. Women empowerment to me means women regaining their voices."

Doing the right thing

Today, we see more women having a voice and doing the right thing in the boardroom and in businesses generally. Within families also, it is recognized that more females are managing and preserving the family's wealth and have a keen interest in doing what is right for the family and doing something good with the money which they can give back for the benefit of society and the environment. It is in our very nature to work more with our hearts so it is not surprising to see more women globally, and increasingly in the Middle East and Asia, wanting to establish themselves as social entrepreneurs.

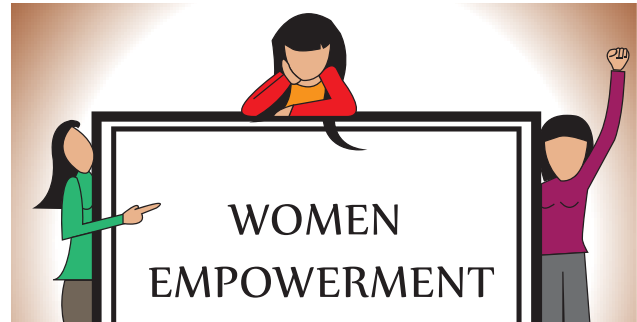
Social entrepreneurship

Samina takes a look at the rising focus on social entrepreneurship:

"Social entrepreneurship is a powerful tool which is gaining much current popularity among the younger generation and especially women of all ages. Industry reports suggest that it is women in particular who care about social responsibility; they wish to see a world in which unemployment levels are low and in which female participation is high across all fields. They want no part to play in human rights violations. They care about the environment and issues surrounding climate change."

Seizing the opportunity

Having the confidence to seize an opportunity and sit at the table is often a key challenge for women and fear of failure can be the real barrier to having a voice or communicating a new idea and innovating. This is changing as more mentoring and coaching are happening across both genders to help nurture fresh talent and smart ideas. With confidence comes visibility and bravery. Often, we worry about not wanting to portray the wrong image or show that we are self-important. We also deliberate over what the possible outcome of an action may be rather than just seizing the opportunity and learning from the experience along the way.



More visible role models

Everyone should be given the confidence and supported to have self-belief and to feel the fear and do it anyway. We can learn from our experiences along the way but have more hope to achieve great things through innovation and creativity. Female empowerment is very much a topic of interest, particularly in Asia and the Middle East, and more globally. More women are gaining exposure as they succeed in their leadership roles in finance, technology and other sectors. Not only are more women empowered but their capability to achieve excellence and innovation is greatly enhanced by their exposure to the numerous role models who lead change today.

Stronger together

You can see the change in a very visible way today with more women in business having a voice and securing leadership roles across different industries. They are also making great strides to build networks to assist in mentoring and encouraging other women to do great things. It is critical to show the next generation that there is space to grow and develop. There is an opportunity for everyone to make a difference, innovate and lead change for a better future for us all. With the right support network in place, we can all achieve our goals, regardless of gender.

Feeling at home

It is important to create the right culture and environment in which everyone can thrive. Feeling 'at home' particularly enables women to have the right space to think, innovate and implement new ideas. What is essential is to ensure that you have the right support, as and when needed, to make that bold and brave move and, in so doing, create the right space to enable innovation and entrepreneurship to be achieved.

One of VG's clients, Sam Broadhead, CEO of Rosette Merchant Bank, commented:

"Speaking from the UK Islamic finance perspective, it is clear that many players in the market have the 'same type' of individuals in senior/ executive positions. I would urge these UK players to take note of the significantly changing landscape and to affect positive change where possible from the 'top down'. As the female CEO of a London-based, Shariah compliant UK financial services firm, I fully appreciate how fortunate I am to have the terrific support of a forward-thinking board who have fully empowered me. However, in the future, I very much hope that such a merit-based approach is applied to all women, regardless of their position."

Warba Bank's US\$250 million Sukuk: A maiden success

In 2017, Warba Bank successfully issued its Sukuk worth US\$250 million. The issuance brought in significant returns of more than five times the issuance, amounting to approximately US\$1.3 billion. DURGAHYENI MOHGANA SELVAM has the exclusive.

The Sukuk, issued to boost the bank's equity capital, is a Mudarabah structure. The bank chose this structure because in its view, the structure was the most optimal.

"Several issuances in the past in the region followed the said structure. Moreover, Kuwait Central Bank is well versed with the Mudarabah structure and [a] couple of issuances have also been approved on the said structure. Warba Bank did not want to turn the wheel toward any other structure, which will open further gates of discussion and negotiation from the regulatory authorities," the bank said.

Being its first issuance, the Kuwait-based bank had to endure its own set of challenges as well. As the bank is relatively smaller and younger than its peers in the region, attracting investors was a prominent obstacle.

"The joint lead managers wanted to wait until the financial statements of December 2016 were issued because it would be better to meet the investors with audited financial statements," the bank quipped.

The five-year paper was initially priced at 6%. However, the price was later adjusted to 6.5% in consideration of 5.1 times oversubscription to reach an orderbook of US\$1.28 billion.

"The Sukuk received an extensive demand from [a] broad spectrum of geographical diversified investors. The final allocation of the issuance consists of Kuwait (27%), the rest of MENA (43%), Europe and US offshore (22%) and Asia (8%). The Sukuk was priced within the senior management's expectation range," Warba Bank told IFN.

The bank credits many parties for the success of this issuance. "The market's response was overwhelming, backed up by a strong shareholder support/ownership. The bank received extreme solid support from [the] Kuwait Investment Authority in terms of management and deposits; and strong governmental support as well. The senior management also presented extremely well at the roadshow," Warba Bank said.

Though this is the bank's first issuance, it is no stranger to the Islamic capital markets. The bank has been involved in numerous transactions including Emirates, Ajman Bank, the Islamic Corporation for the Development of the Private Sector, Kuvveyt Turk and Etihad Airways.

Warba Bank has high hopes for this issuance. "The Sukuk will support the bank in terms of its growth strategy in the local and international market," it said.



Issuer	Warba Bank Tier 1 Sukuk
Obligor	Warba Bank
Size of issue	US\$250 million
Mode of issue	Reg S
Purpose	Boost equity capital
Tenor	Five years
Issuance price	100%
Profit rate	6.5%
Payment	Semi-annual payments
Currency	US dollar
Maturity date	Perpetual
Lead manager(s)	Bank ABC, Emirates NBD Capital, KAMCO, KFH Capital, Noor Bank and Standard Chartered Bank
Global coordinator	Standard Chartered Bank
Governing law	English law
Listing	Irish Stock Exchange and NASDAQ Dubai
Rating	Moody's: 'Baa2 (Stable)' Fitch: 'A+ (Stable)'
Structure	Mudarabah
Investor breakdown	Kuwait (27%), rest of MENA (43%), Europe and US offshore (22%) and Asia (8%)
Face value/minimum investment	US\$200,000 and integral multiples of US\$1,000 in excess thereof

Kuwait allows foreign ownership in Kuwaiti banks

The Kuwaiti Ministry of Commerce and Industry has issued a decision allowing foreign investors to own and trade in Kuwaiti banks' shares, according to a statement. The approval of the Central Bank of Kuwait should be obtained if ownership exceeds 5% of the bank's capital.

Kuwait approves compulsory health insurance

The National Assembly's legal and legislative committee has approved a draft law stipulating a mandatory health insurance scheme for expatriates living and working in the country, Kuwait Times reported.

SHUAA purchases Amwal

SHUAA Capital has acquired Kuwait-based Amwal International Investment Company, according to the UAE's state news agency. In line with this, the new lineup for the board of directors for Amwal was announced, consisting of Bader Al Reizhan, Fawad Tariq Khan, Khaleefa Al Mheiri, Oliver Lee, Ali Tariq, Adil Mustafa and Abdullah Galadari.

Kuwait's committee gives nod to compulsory health insurance

The National Assembly's legal and legislative committee has approved a draft law stipulating a mandatory health insurance scheme for expatriates living and working in the country, Kuwait Times reported.

Burgan Bank

Burgan Bank, which offers Islamic banking services, has announced in a bourse filing that the Central Bank of Kuwait has approved the appointment of Raed Abdullah Al Haqhaq as its CEO. Raed was previously the bank's deputy CEO.

KFH upgrades SWIFT network system

Kuwait Finance House (KFH) has upgraded its centralized SWIFT network system for global payments at the group level, according to a statement. The exercise is expected to help the Islamic bank optimize cost efficiency and boost operations to provide the better customer service.

IFSB

The IFSB confirmed in a statement that effective the 1st January 2019, Fazle Kabir, the governor of Bangladesh Bank (BB) will take over the chairmanship of the IFSB from Dr Mohammad Y Al Hashel, the governor of the Central Bank of Kuwait while Bank Negara Malaysia (BNM) Governor Nor Shamsiah Mohd Yunus will assume the role of deputy chairperson.

KFH rolls out new gold bullion

Kuwait Finance House (KFH) has announced in a statement that it has launched new types of gold bullion ranging from 10 to 100 grams. Customers can open the gold account and then buy, sell and retain gold bullion in an easy and safe manner for the purpose of saving or investment through KFH's banking branches.

Gold bullion provided by KFH is 24 caliber 999.9 purity, which is considered the purest type available in the market.

Consultations still ongoing for AUB-KFH merger

Ahli United Bank (AUB) has announced in a bourse filing that there have been no significant developments and that consultations are still underway regarding the valuation results of the studies prepared by HSBC and Credit Suisse, appointed pursuant to the MoU signed between AUB and Kuwait Finance House (KFH) on the 22nd July 2018 to recommend and determine a fair share exchange ratio.

Separately, Ahli United Bank has obtained approval from the Central Bank of Bahrain to extend the validity period for the purchase of treasury shares of the bank for a further period of 90 days effective from the 22nd November 2018.

CBK issues regulatory sandbox framework for fintech

The Central Bank of Kuwait (CBK) has issued a regulatory sandbox framework for fintech, according to a statement.

GIH exits Emirates Retakaful

Global Investment House (GIH) has concluded the exit of its 20% stake in Emirates Retakaful and transferred the ownership to the acquirer AXA Liabilities Managers, a subsidiary of AXA Group.

According to a statement, the transaction was concluded at a higher book value than the average multiples in the insurance sector in the GCC.

Warba opens subscription for share increase

Warba Bank, an Islamic bank, has commenced the offer period for its share capital increase exercise from the 25th November to the 9th December 2018. According to a press statement, the subscription share price is 180 fils (59.01 US cents), including 100 fils (32.78 US cents) par value and 80 fils (26.23 US cents) share premium. The offer period is the first time an online subscription of 16,500 shares or fewer could be processed online in Kuwait.

As for non-shareholders, the subscription period will be conducted from the 16th to the 27th December.

KFH launches KFH Xpress

Kuwait Finance House (KFH) has launched KFH Xpress to provide instant cross-border money transfer directly from the customer's bank account. According to a statement, among the features of the service is that there are several options for receiving funds as desired by the customer and the beneficiary conditions in his/her country. The service is available on KFHOnline.

Sokouk Holding Company

Shariah compliant Sokouk Holding Company's board of directors has accepted the resignation of Firas Fahad Al Bahr from his position as CEO, with his last working day being the 31st December 2018.

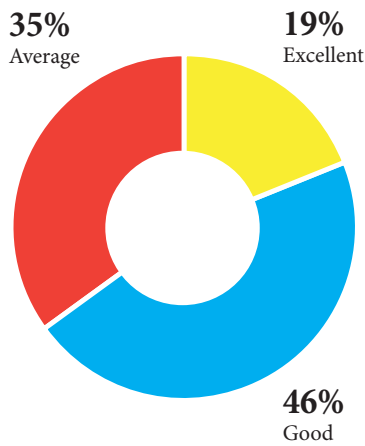
Chairman's Remarks



ISSAM AL TAWARI — *Founder and Managing Partner, Newbury Consulting*

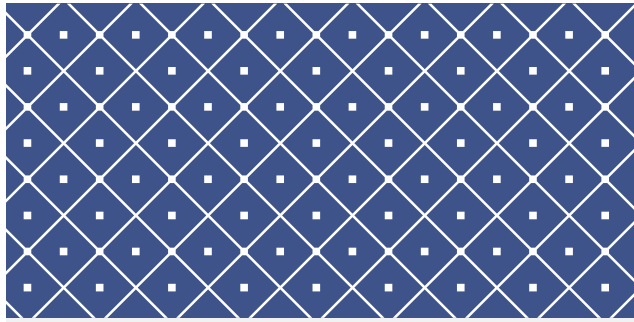


Presentation: An Assessment of Financial Sector Stability in Kuwait



NIZAMUDDIN ARSHAD — *Advisor to the Governor on Banking Affairs, Central Bank of Kuwait*

Presentation: An Assessment of Financial Sector Stability in Kuwait



BANKING SECTOR STABILITY WHY IT MATTERS AND WHERE WE STAND

Nizamuddin Arshad
Advisor to the Governor on
Banking Affairs
Central Bank of Kuwait

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BANKING STABILITY
Why Should We Care?

NIZAM DEC18

BANKING CRISES ARE COMMON, COSTLY, AND PROTRACTED

151

Banking Crises since 1970

23%

Average cost to a country, in terms of GDP

Recovery Takes Years

Protracted and painful

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BANKS ARE CENTRAL TO MANY CRISIS

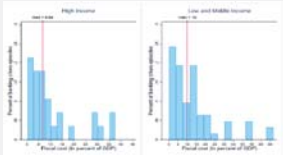
Year	Crisis	Peak to Trough Loss		Crisis Type					
		US	US Aired	Sovereign	Currency	Inflation	Banking		
			Bubble	Crisis	Crisis	Crisis	Crisis	Crisis	
1929	Scrub Saw Bubble	80%							
1933	The Country Banking Crisis	43%	3%			X			X
1981	Reagan-Martin-Buhalo US	9%	33%			X			X
1987	Reagan-Martin-Buhalo US	13%	23%			X			X
1988	Collapse of Central and Eastern Europe	7%	8%						X
1973	Long Depression	32%	47%			X			X
1988	Banking Crisis	3%	42%						X
1987	US Bankers' Panic	19%	28%				X		X
1993	Banking Crisis	3%	42%						X
1992	Small Silver Crisis	52%	25%						X
1993	Latin American Debt Crisis	3%	23%			X		X	X
1987	Bank Monday	31%	20%				X	X	X
1997	Asian Crisis	12%	8%			X		X	X
2008	Great Financial Crisis	44%	48%			X		X	X

Source: <http://research.bis.com.au>

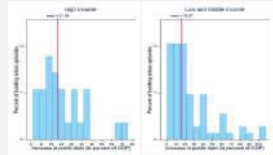
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BANKING CRISES ARE COSTLY: HIGH FISCAL COST

Gross Fiscal Costs

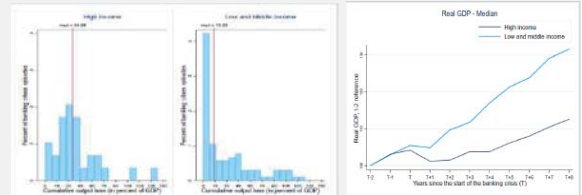


Increase in Public Debt



Source: Laeven & Valencia (2018)

BANKING CRISES ARE COSTLY : OUTPUT LOSS AROUND THE BANKING CRISIS

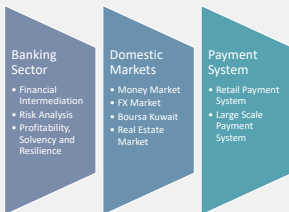


Source: Laeven & Valencia (2018)



BANKING SECTOR IN KUWAIT

FINANCIAL STABILITY REPORT (FSR)



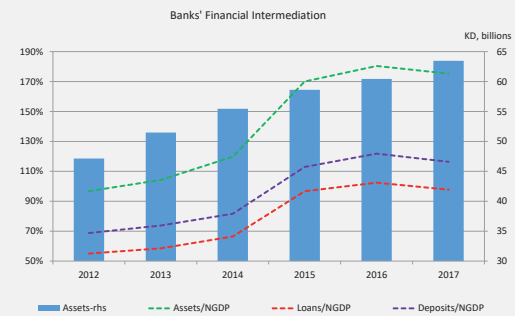
FINANCIAL STABILITY REPORT (FSR)	
Banking Sector	100
Domestic Markets	100
Payment System	100
Financial Intermediation	100
Risk Analysis	100
Profitability, Solvency and Resilience	100
Money Market	100
FX Market	100
Boursa Kuwait	100
Real Estate Market	100
Retail Payment System	100
Large Scale Payment System	100

FINANCIAL STABILITY REPORT (FSR)

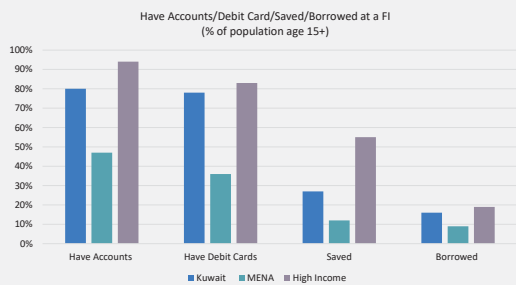


*Rest of the presentation is based on my work, as the Principle Author, of our last six flagship Financial Stability Reports (from 2012-17).

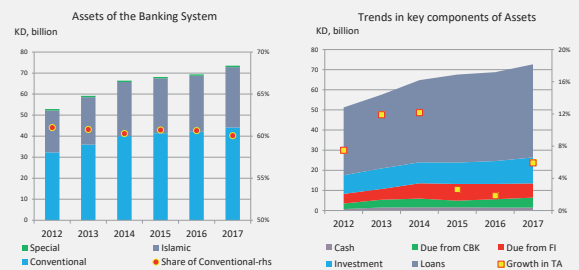
BANKING SYSTEM IS SIZEABLE IN TERMS OF GDP



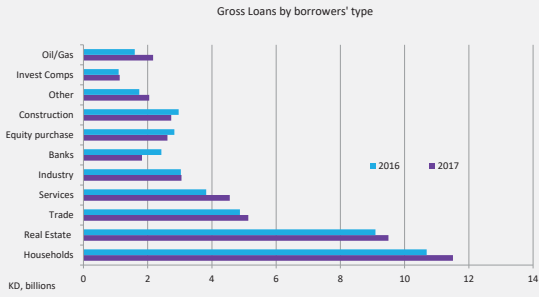
WITH HIGH DEGREE OF FINANCIAL INCLUSION



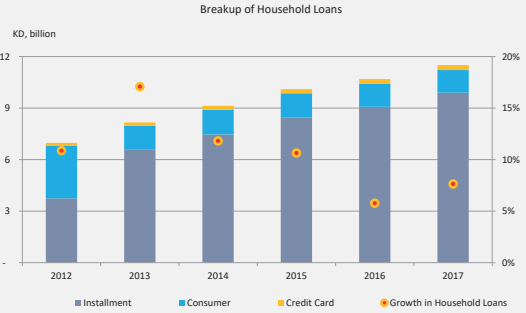
KUWAIT HAS A DUAL BANKING SYSTEM, TRADITIONAL IN STRUCTURE



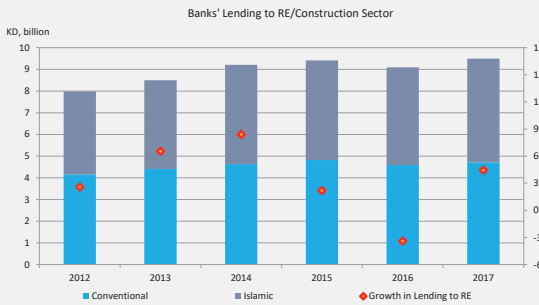
HOUSEHOLDS AND REAL ESTATE: MAJOR RECIPIENTS OF BANK LENDING



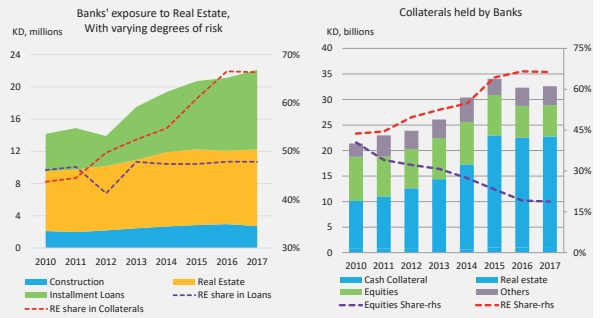
LENDING TO HOUSEHOLDS: INSTALLMENT LOANS CONSTITUTE THE BULK



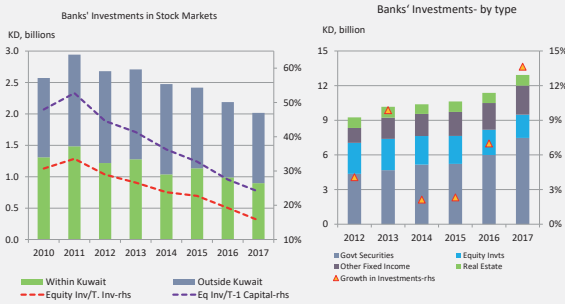
BANKS' EXPOSURE TO REAL ESTATE IS SIGNIFICANT



BANKS' EXPOSURE TO REAL ESTATE IS SIGNIFICANT

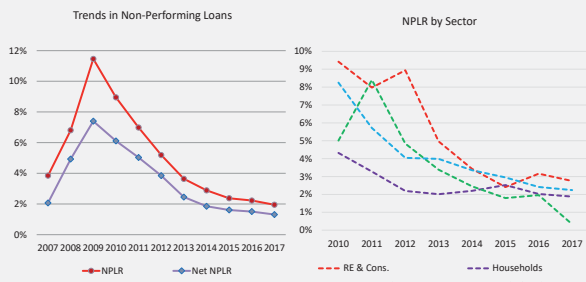


BANKS' INVESTMENTS: FLIGHT TO QUALITY

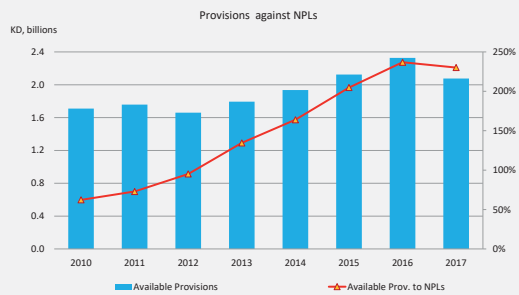


BANKING SECTOR STABILITY IN KUWAIT | An Assessment

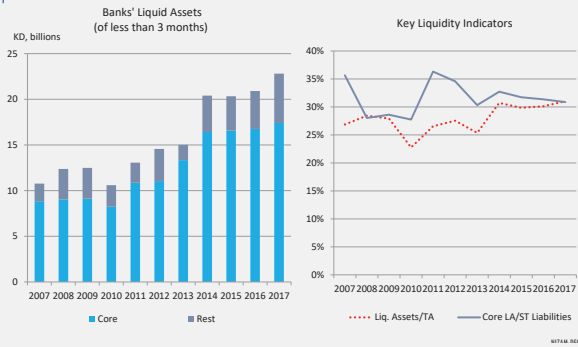
NPLR HAS DROPPED TO A HISTORICALLY LOW LEVEL



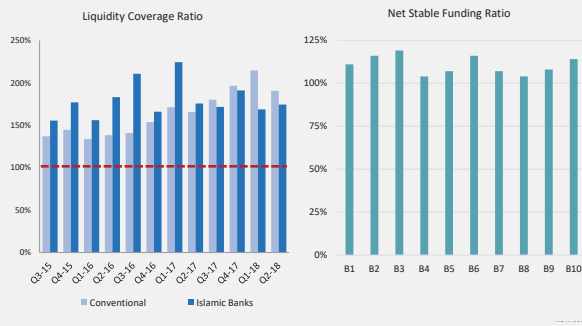
... WITH ROBUST COVERAGE RATIO



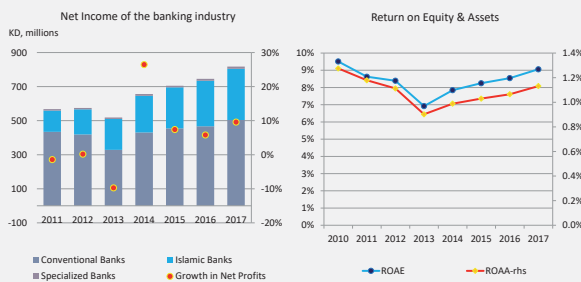
BANKS HAVE CONTINUED TO MAINTAIN AMPLE LIQUIDITY



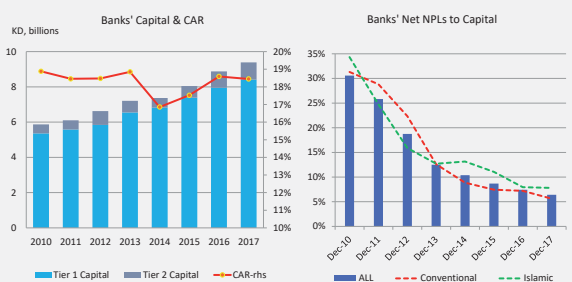
... EVEN WHEN VIEWED IN TERMS OF LCR AND NSFR



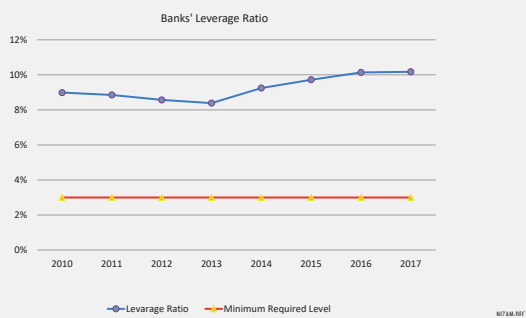
BANKS' NET INCOME HAVE POSTED HEALTHY GROWTH



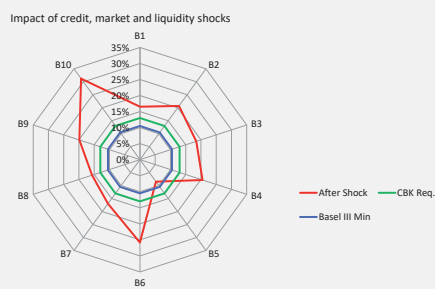
CAPITAL ADEQUACY REMAINS ROBUST



BANKS ARE WELL ABOVE THE LEVERAGE RATIO REQUIREMENT



... AND ARE RESILIENT AGAINST MAJOR SHOCKS



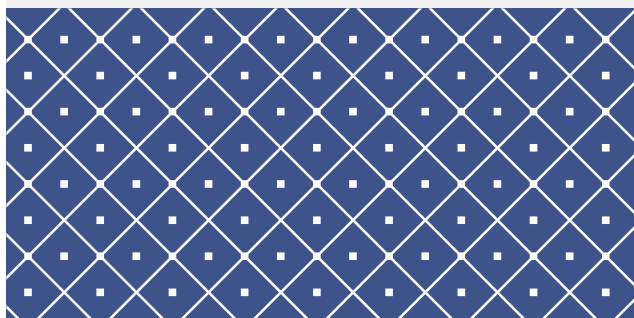
SPEAKER: BRIEF PROFILE



Nizamuddin Arshad is a career central banker, currently serving as an Advisor to the Governor on Banking Affairs at the Central Bank of Kuwait (CBK). He also leads the Financial Stability Office at CBK and is the principal author of flagship annual Financial Stability Reports of the last six years (2012-17), covering the Kuwaiti banking sector, domestic markets and the payment systems.

Nizam has earlier served Pakistan's central bank in senior roles, spearheading the work on financial stability, stress testing, deposit protection, banking regulation and financial sector consolidation. He holds a Masters in Economic Policy from Columbia University, New York and an MSc in Financial Risk Management from the London School of Economics & Political Science (LSE) where he was, respectively, a recipient of US Fulbright and British Chevening Scholarships. He is also a certified Financial Risk Manager (FRM) from the Global Association of Risk Professionals (GARP), USA.

Email: narshad@cbk.gov.kw & narshad5@gmail.com



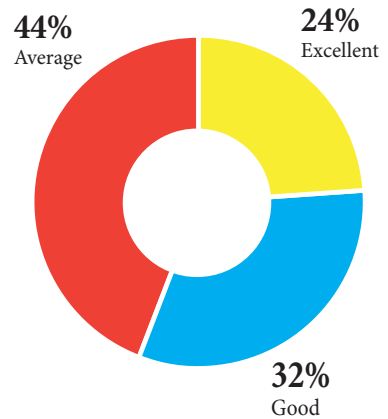
THANK YOU



Mega Trends: Domestic and Global Influencers for Kuwait



We discuss key issues relevant to the economic development of Kuwait and the growth of Islamic banking and finance. We examine the Kuwaiti financial markets with a focus on geopolitical and financial risks and financial regulation. We discuss the growth and evolution of Islamic banking in the country and analyze competition and consolidation within the industry. We also assess Kuwait Vision 2035 and the relaxation of restrictions on foreign direct investment in the Emirates, particularly in relation to infrastructure finance, real estate and financial services.



Moderator:

ISSAM AL TAWARI — *Founder and Managing Partner, Newbury Consulting*

Panelists:

ABDULLAH AL-LANQAWI — *Deputy General Manager – Treasury, Ahli United Bank*

HOSSAM ABDULLAH — *Legal Counsel and Managing Partner, Al-Hossam Legal – Al-Turqi & Partners*

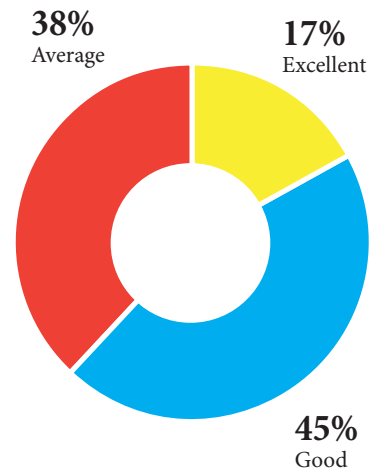
NAYEF ALSHAMMARI — *Associate Professor, Kuwait University*

NIZAMUDDIN ARSHAD — *Advisor to the Governor on Banking Affairs, Central Bank of Kuwait*

Development of Islamic Capital Markets and Asset Management in Kuwait



We look at innovation in Kuwaiti capital markets and identify where Shariah compliant products can add value and what role they can play. We discuss recent regulatory developments for Sukuk and assess current market trends: will recent significant issuance by financial institutions continue? We ask what is next for the Kuwaiti asset management industry and look at recent product innovations, particularly REITs and exchange-traded funds. What will inclusion in the FTSE Russell index mean for Kuwait's capital markets and asset management sectors?



Moderator:

ABDULKADER THOMAS — *CEO, SHAPE Financial*

Panelists:

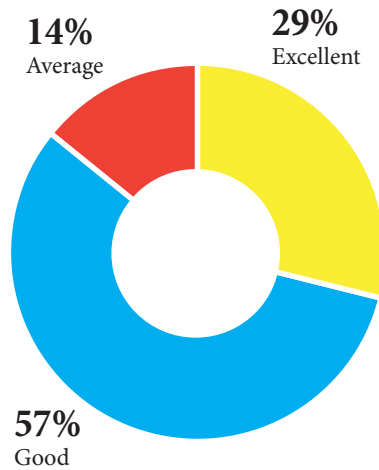
ISSAM AL TAWARI — *Founder and Managing Partner, Newbury Consulting*

RAGHU MANDAGOLATHUR — *Executive Vice-President – Research, Kuwait Financial Centre 'Markaz'*

THUWAINI ALTHUWAINI — *Acting Chief Investment Banking Officer, Warba Bank*

A Golden Opportunity

Gold has come to prominence of late, either as an underlying asset or an asset class in itself. We take a closer look at recent financial products structured on or around gold and ask if the upward trend is set to continue.

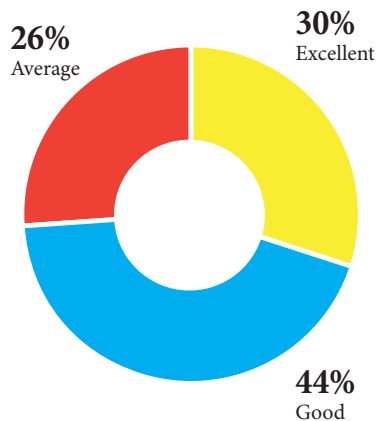


Moderator:
MARK SMYTH — Chief Investment Officer, Tawreeq

- PANELISTS:**
JOHN DURHAM — Manager, Depository, Gold Corporation, The Perth Mint
PHILIP JUDGE — CEO, Physical Gold Fund
ROBIN LEE — CEO, HelloGold

Fintech Huddle

We discuss the role of fintech, digital platforms and tokenization in today's financial industry in Kuwait. What do the development of smart contracts, blockchains and artificial intelligence mean for Islamic banking in the region? We assess the latest developments in fintech and analyze likely industry shifts, regulation and developments in product and delivery channels.



Moderator:
LAWRENCE OLIVER — Director and Deputy CEO, DDCAP

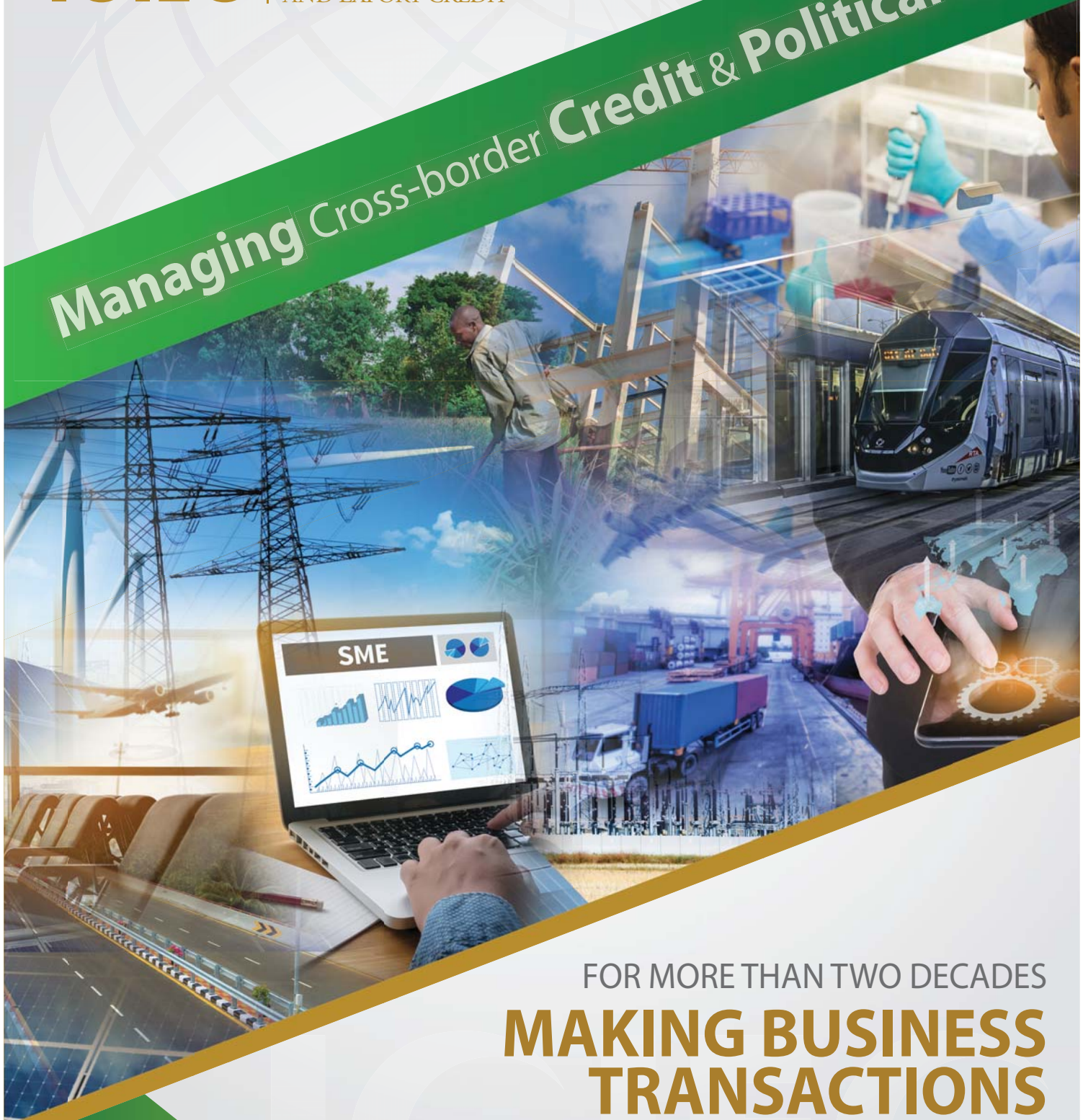
- PANELISTS:**
HAMID RASHID — Founder, Finterra
ROBIN LEE — CEO, HelloGold



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IFN KUWAIT REPORT 2018
SPEAKERS' LIST

Name	Job Title	Company Name
ABDULKADER THOMAS	CEO	SHAPE Financial
ABDULLAH AL-LANQAWI	Deputy General Manager — Treasury	Ahli United Bank
HAMID RASHID	Founder	Finterra
HOSSAM ABDULLAH	Legal Counsel and Managing Partner	Al-Hossam Legal — Al-Turqi & Partners
ISSAM AL TAWARI	Founder and Managing Partner	Newbury Consulting
JOHN DURHAM	Manager, Depository, Gold Corporation	The Perth Mint
LAWRENCE OLIVER	Director and Deputy CEO	DDCAP
MARK SMYTH	Chief Investment Officer	Tawreeq
NAYEF ALSHAMMARI	Associate Professor	Kuwait University
NIZAMUDDIN ARSHAD	Advisor to the Governor on Banking Affairs	Central Bank of Kuwait
PHILIP JUDGE	CEO	Physical Gold Fund
RAGHU MANDAGOLATHUR	Executive Vice-President — Research	Kuwait Financial Centre 'Markaz'
ROBIN LEE	CEO	HelloGold
THUWAINI ALTHUWAINI	Acting Chief Investment Banking Officer	Warba Bank

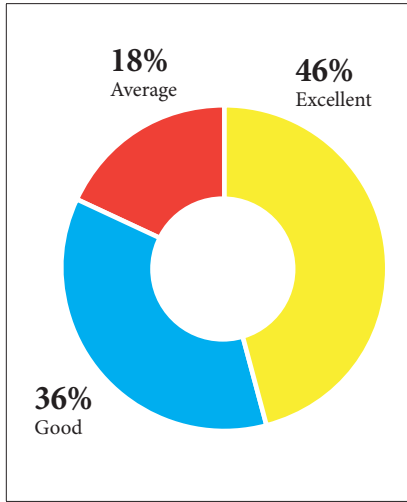
.....

ATTENDEE COMPANIES

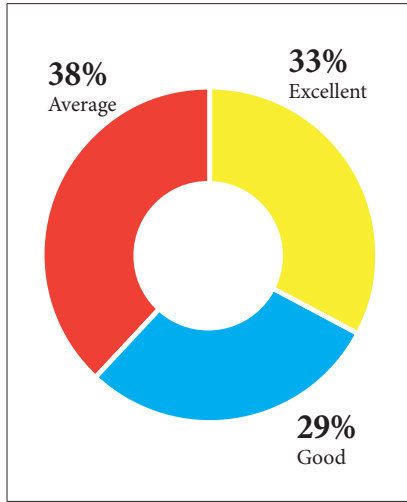
Afya Arabia
Ahli United Bank
Al-Hossam Legal – Al-Turqi & Partners
Ambassade De France Au Koweit
American University of Kuwait
Bafin Financial Supervision
Best Western/Al Elmam
Central Bank of Kuwait
Constitutional & Supreme Courts
DDCAP
Fieldfisher (Germany)
Finterra
Guidance Investments
HelloGold
HSBC Kuwait
Hugo Law Firm
KFH Capital Investment
Kuwait Banking Association
Kuwait Direct Investment KDIPA
Kuwait Financial Centre 'MARKAZ'

Kuwait University
Newbury Consulting
Nomura Islamic Asset Management
Path Solutions
Physical Gold Fund
Polaris Synergy Group
Raqaba
Refinitiv
Saudi Aramco
Shape Financial
Tawreeq
The Business Year
The Perth Mint
Thomson Reuters (Refinitiv)
VG
Warba Bank

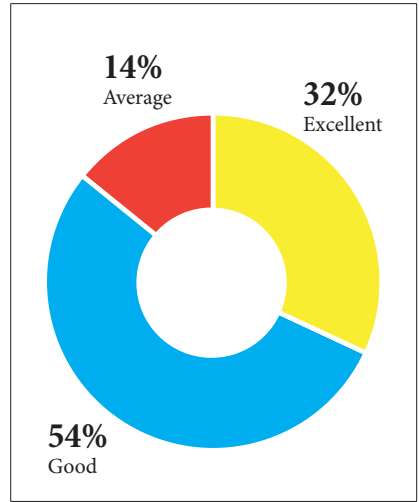
Pre-event Contact



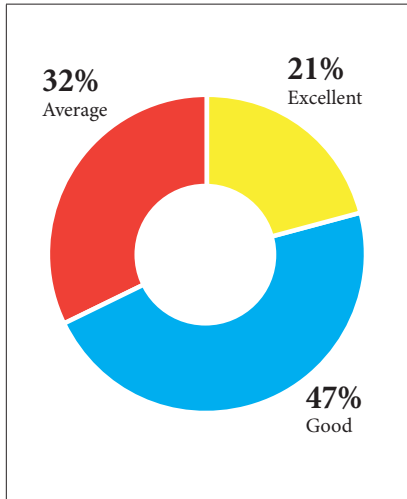
Venue & Facilities



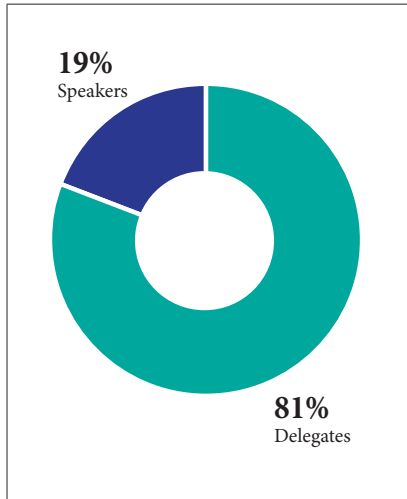
Overall Evaluation of the Event



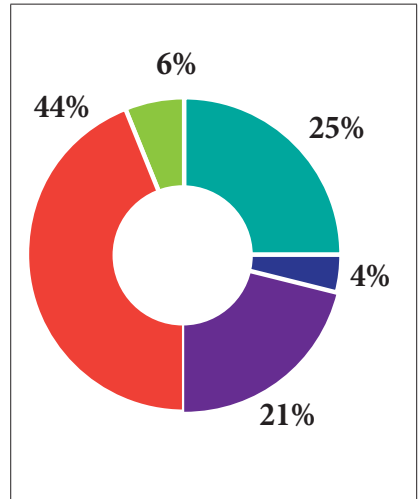
Overall Evaluation of the Speakers



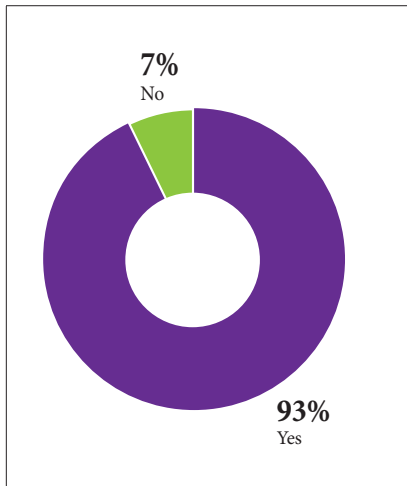
Delegate Breakdown



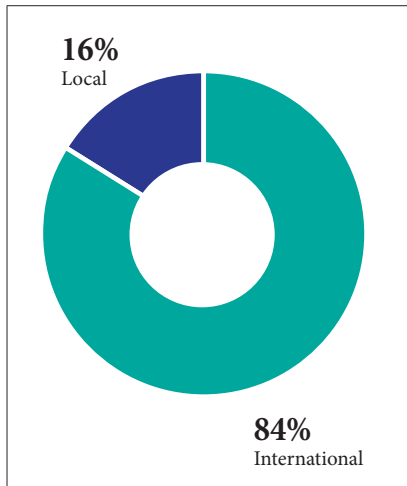
Delegate Job Title Breakdown



Would Delegates Like to Attend IFN Kuwait Forum 2019?



Delegate Breakdown (International & Local)



Delegate Job Title	No
Board Level Management	33
Senior Management	16
Management	19
Executive	3
Others	4
Total	75

Gold and Islamic Finance

The World Gold Council is the market development organisation for the gold industry. Our purpose is to stimulate and sustain demand for gold, provide industry leadership, and be the global authority on the gold market.

The World Gold Council collaborated with the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to develop the Shari'ah Standard on Gold, launched in December 2016. The Standard offers definitive guidance on the use of modern gold financial products in a Shari'ah-compliant manner, opening up a new investment asset class in Islamic finance. Gold is highly liquid, and is an important safe haven asset, portfolio diversifier, and wealth preservation tool for investors in Islamic finance.

Since the launch of the Standard, the World Gold Council has supported the development and launch of a number of Shari'ah-compliant gold products.

For more information on the Standard, gold's role in Islamic finance, or to work with us on the development of new products, please email shariah@gold.org.

