IFN Islamic Finance *news*

The World's Leading Islamic Finance News Provider

IFN WORLD LEADERS SUMMIT Report 2018

Featuring

IFN WORLD LEADERS SUMMIT 2018

ARLC GROUP

DDCAP GROUP

DENTONS

مركز دبي لتطوير الاقتصاد الإسلامي
DUBAI ISLAMIC ECONOMY DEVELOPMENT CENTRE

EIGER

ICD

IdealRatings®

itfc
International Islamic Trade Finance Corporation

NOMURA

path solutions
Powering Islamic Financial Markets

WORLD GOLD COUNCIL

REDmoney

CONTENTS

4 **Editor's Note**

6 **Foreword**

FORUM OVERVIEW

14 **Speakers' List**

16 **Companies' List**

18 **Overall Evaluation**

REPORTS

20 **The role of Shariah-based investments in global diversification**

The growing popularity of Islamic finance has led to the development of new Shariah compliant investment tools that are modeled to a certain extent after conventional finance structures but are fully adhering to Islamic principles.

22 **Asset management — retail: The ETF trend and the REIT boom**

Islamic funds are expected to have performed better in 2017 than in 2016 as the global recovery has finally become broad-based and stable. Last year even marked a record-breaking year for stock markets despite geopolitical tensions and uncertainties especially from the Gulf and the Korean peninsula. The year 2017 has also been marked by the growth of two asset classes, exchange-traded funds (ETFs) and REITs.

24 **Bank debt and loan financing: Financing grows faster as global economy picks up**

Islamic financing growth continues to outpace its conventional counterpart in many Asian and GCC member states while Africa's nascent Islamic banking industry reveals itself to be very promising with high expectations from market players.

25 **Debt capital markets: Corporate syndicated financing deals increasing**

Sukuk and syndicated financing are two of the most utilized instruments by corporates in search of funding. However, the Islamic debt capital markets encompass several other asset classes including repurchase agreements, structured financing and collateralized financing.

26 **Project and infrastructure finance: Going green**

A key reason behind the geographical expansion of Islamic finance is the need for developing countries to fund their infrastructure projects. As an example, Ghana, despite having no plans to accommodate the industry, now intends to issue a sovereign Sukuk facility in Malaysia to raise funds for the development of its infrastructure. Overall, from roads financed by the IDB in many African countries throughout 2017 to solar power plants funded by Islamic banks in Malaysia, the industry has been tapped multiple times over the past 12 months and many green projects have lately been financed in a Shariah compliant way.

Published By: REDmoney

MALAYSIA
Suite 22-06, 22nd Floor
Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel: +603 2162 7800
Fax: +603 2162 7810

UAE
PO Box 126732, 3rd Floor, X2
Tower, Jumeirah Lake Tower (JLT),
Jumeirah Bay, Dubai, UAE
Tel: +971 4 427 36 28
Fax: +971 4 431 4614

LONDON
Level 1, Devonshire House, 1
Mayfair Place, London W1J
8AJ, UK

www.IslamicFinanceNews.com

Raising the bar

Every year, IFN has the immense pleasure of gathering the very top echelons of the global Islamic finance industry — CEOs of leading banks, the most brilliant legal minds in Shariah finance, outstanding service providers and exceptional issuers among others — in Dubai at the prestigious IFN Awards Ceremony.

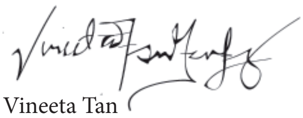
Already an excellent networking event, we wanted to raise the bar: we saw an opportunity to provide a platform for these influential figures, who have come from all over the world, to not only network and to celebrate the past year's achievements, but to also share their thoughts, concerns and ideas on the industry with their global colleagues in a conducive environment — which led us to the production of the inaugural IFN World Leaders Summit.

Thanks to the support of our partners and the stellar lineup of speakers, the IFN World Leaders Summit was a success, becoming an invaluable platform for honest conversations, real debate and brainstorming on the most important issues in the Islamic finance industry.

With the growth of Shariah assets declining for the first time in decades, heightened market uncertainties triggered by escalating geopolitical risks, divergent economic policies and the Dana Gas debacle, as well as the ongoing fintech revolution, the summit was indeed a timely addition to the REDmoney Events calendar.

Some were pragmatically cautious about what is to come, some were passionately hopeful that the industry is about to turn the corner, while some were rightly concerned about the agility of Islamic financial institutions in navigating a changing fintech-fueled environment against the backdrop of capricious macroeconomic developments.
It was a fruitful and rewarding event and we hope through this report, others will find the discussions insightful as well. We look forward to being in Dubai again next year.

Most sincerely,



Vineeta Tan
Editor
Islamic Finance *news*

FOREWORD

Greetings from the Dubai Islamic Economy Development Centre (DIEDC)!

Since the last edition of this landmark summit, considerable headway has been made in developing the Islamic economy. The Islamic economy sector has registered remarkable progress, its markets have expanded, products have increased and culture has broadened. More specifically, global Islamic finance assets increased from US$2 trillion in 2016 to US$2.6 trillion in 2017, according to a study by PwC. What's noteworthy is that this growth was achieved in just one year.

All of this is good news indeed. But there is much ground to cover. The immediate priority that must be acknowledged is the fact that appropriate regulations to organize this sector globally are still lacking.

Regulating the Islamic finance sector and defining its frameworks and references will not only expand the market further, but also enhance its social and economic impact on many countries. A more regulated sector will also help achieve the desired sustainability, particularly because Islamic financing is not merely a provider of debt to societies as conventional finance is, but is an integral contributor to development.
To clarify, some findings of a new report issued in 2017 by the World Bank in cooperation with the IDB offer a snapshot of how Islamic finance is perceived by international communities.

The report states that the Islamic finance market is not being fully exploited even though opportunities in this market are promising. It further points out that Islamic finance contributes to a fair distribution of products and wealth and reduces social disparities because of its focus on microfinancing that is somewhat excluded from conventional finance. According to the report, Islamic finance has the highest potential to support the infrastructure and services sector.

What should be done to enable financial institutions and investors to discover opportunities in global markets? More importantly, how can they be encouraged to create their own opportunities in a way that leverages the advantages offered by an Islamic economy? Five main factors can drive the advancement of Islamic finance in its next phase of growth — directing funding toward promising Islamic sectors, developing Islamic sectors in new markets to meet global demand, microfinance, keeping up-to-date with market trends and financing electronic trading platforms specializing in Islamic economy products and services.

At the summit, the DIEDC called on economists, sociologists, Shariah scholars, legal experts, as well as public and private sector leaders to join hands in building a strong legislative framework that would govern the work of Islamic financial institutions across the world. The DIEDC also highlighted the need to establish greater coordination between all the Islamic institutions and banks around the world in order to maximize their competitiveness and enable them to serve as the nucleus of the global Islamic financial sector in clarifying the governance mechanisms for Islamic financial institutions and in developing indicators to measure and guide performance.

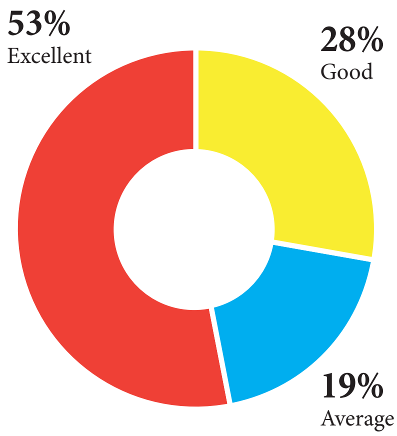
Additionally, the DIEDC provided key insights on digital financial services and virtual currencies. With regard to digital financial services, it is imperative to understand the importance of developing the financial sector as per stipulated standards and procedures in order to achieve growth, reach the public and facilitate transactions of all kinds.

Many countries have started taking regulatory action against virtual currencies. The circulation of virtual currencies means building a virtual economy. This implies that money will probably come and go without being utilized at all, while the Islamic economy underscores that wealth should be proportional to the effort invested. Imagine the fate of markets, factories, farms and service centers if everyone earns their living by chancing their fortunes with these currencies!

Some puzzling questions were also raised at the summit — such as what humanity will look like in the future world, and who will produce or create the products and services that society needs to survive. We look forward to much more productive participation at future editions of the IFN World Leaders Summit, where more answers can be sought and shared.

Abdulla Mohammed Al Awar, CEO of the DIEDC

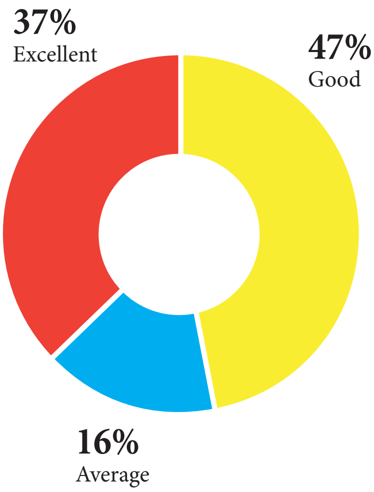
Keynote Address



ABDULLA MOHAMMED AL AWAR — *CEO, Dubai Islamic Economy Development Centre*

Mega Trends: Global and Regional Influencers for Islamic Finance and Investment

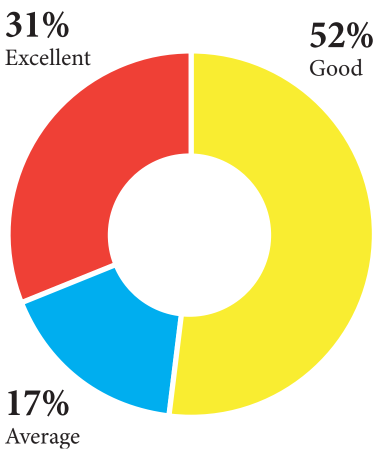
We examine and discuss key issues and themes influencing global Islamic finance and investment. What will offer opportunity and what will disrupt?



KHALID HOWLADAR — *Managing Director and Founder, Acreditus*
MOHAMED ALMUTAWEH — *CEO & Board Member, Al Baraka Islamic Bank*
NAJMUL HASSAN — *Director of Financial Institution Development Department, Islamic Corporation for the Development of the Private Sector*
SALMAN BAJWA — *Head of Asset Management, Emirates NBD Asset Management*
YAVAR MOINI — *Financial Sector Expert, World Bank Group*

Capital-Raising Roundtable

We ask a panel of market participants to reveal their thoughts and insights on raising capital through Islamic finance. What are the positives and what does the industry need to address to allow Islamic finance to truly compete with conventional? What are the risks in issuing and investing in Sukuk and how can these risks be addressed and managed?



Moderator: **QASIM ASLAM** — *Partner, Head of Islamic Finance — Middle East, Dentons*

AHMAD TARZMIZI — *Executive Director and Group Head of Shariah, First Abu Dhabi Bank*

DAVID TESTA — *Executive Director, DDCAP Group*

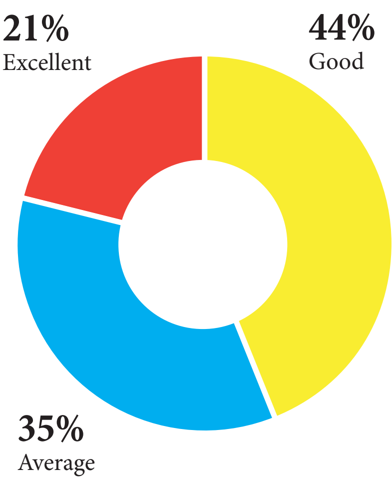
GOKUL MANI — *Head of Primary Markets — Middle East, Africa, India, London Stock Exchange Group*

ONUR AKSOY — *Director, Debt and Structured Finance, Aktif Bank*

SOHAIL ZUBAIRI — *Projects Advisor, Dubai Islamic Economy Development Centre*

Building Regulatory Frameworks in Islamic Finance

We ask a panel of senior representatives of regulators, standard-setting bodies and exchanges for their views on the evolution of regulatory frameworks for Islamic banking and finance.



Moderator: **NEIL MILLER** — *Global Head of Islamic Finance, Linklaters*

DR BELLO LAWAL DANBATTA — *Secretary-General, IFSB*

GOKUL MANI — *Head of Primary Markets - Middle East, Africa, India, London Stock Exchange Group*

IJLAL A ALVI — *CEO, International Islamic Financial Market*

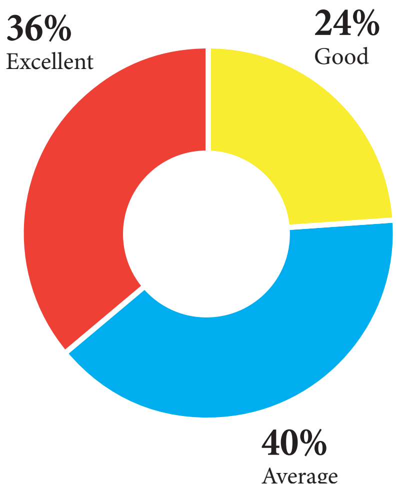
PETER SMITH — *Managing Director, Policy and Strategy, Dubai Financial Services Authority*

SYED SAMAR HASNAIN — *Executive Director-Development Finance Group, State Bank of Pakistan*

Moderator: **MOHAMMED PARACHA** — *Partner, Head of Islamic Finance — Middle East and Africa, Norton Rose Fulbright*
ANDREW NAYLOR — *Director, Central Banks and Public Policy, World Gold Council*
BISHR SHIBLAQ — *Counsel, Head of Dubai Office, Arendt & Medernach*
ISMAIL DADABHOY — *Advisor to the Board and CEO, International Islamic Financial Market*
MENG-CHAN SHU — *Director of Business Development, Dubai Gold and Commodities Exchange*
ROBIN LEE — *CEO, HelloGold*

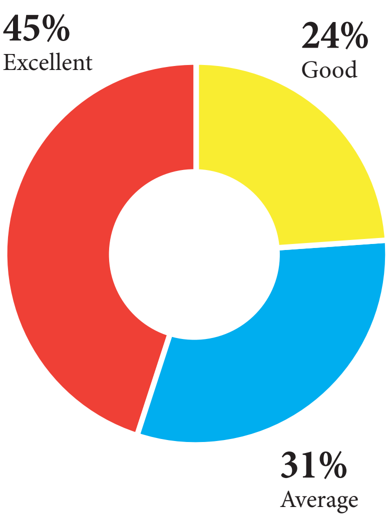
Gold — All that Glitters

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.



Comparing Notes: From Financial Hubs to Fintech Hubs

Leading Islamic financial centers and Islamic fintech start-ups engage with each other on what makes a conducive Shariah fintech ecosystem, what measures are in place to attract start-ups, spur and support innovation among financial institutions.



Moderator: **MUNEER KHAN** — *Partner, Head of Middle East Financial Markets, Regulatory and International Islamic Finance, Simmons & Simmons*

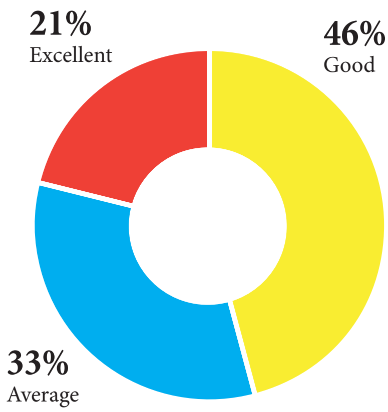
BRYONY TRAVERS — *Head of Marketing and Communications, NOW Money*

JUNAID WAHEDNA — *CEO, WahedInvest*

THOMAS HIRSCHI — *Executive Director, Banking and Insurance of the Financial Services Regulatory Authority, Abu Dhabi Global Market*

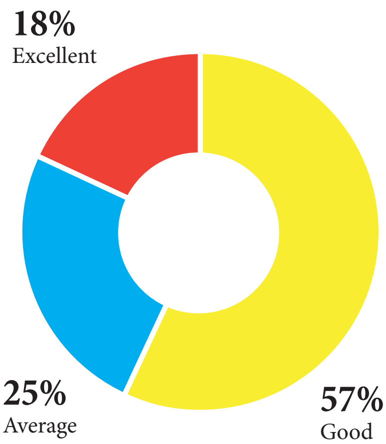
Presenter: **NAJMUL HUSSEIN RASSOOL** — *Co-founder and Director, Ethis Finance*

REDTalk: The Next Generation Islamic Finance Business Model



Changing Times: Islamic Finance 2.0

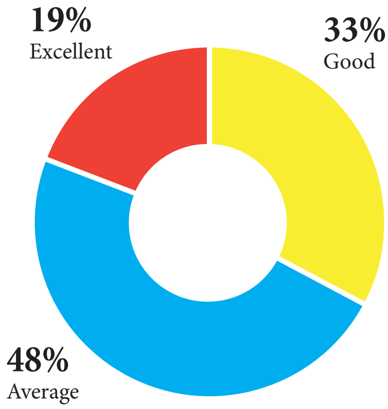
Technology has triggered a wave of change in the world of Islamic finance. We take a look at how fintech is altering consumer behavior, redefining financial services and how financial players are adapting to an evolving environment.



Moderator: **VINEETA TAN** — *Editor, Islamic Finance news*
AMBAREEN MUSA — *Founder and CEO, Souqalmal*
ASHAR NAZIM — *Managing Director, Finocracy*
AWAD KAIDOO — *CEO and co-founder, Ethis Finance*
MOHAMMED KATEEB — *Group Chairman and CEO, Path Solutions*

The Cryptocurrency Conundrum: Friend or foe? Fear or embrace?

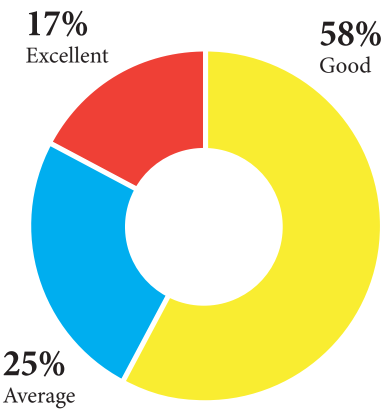
We debate the key issues surrounding cryptocurrencies and discuss their role in the global Islamic finance industry. What is the potential for initial coin offerings and will asset-linked coins feature in the corporate fundraising process?



Moderator: **KHALID HOWLADAR** — *Managing Director and Founder, Acreditus*
ALAN LAUBSCH — *Founder and Chief Strategist, Blufolio*
ROBIN LEE — *CEO, HelloGold*
TOBIAS YOUNG — *Head of Hydrocarbons, Dubai Gold and Commodities Exchange*

The Wider View: Influential Trends, Opportunities and Events

We ask a panel of leading analysts, commentators, investors and economists to provide us an insight into the growth of the global Islamic economy, diversification of GCC economies, geographical and region-specific insights, industry shifts and macro events and offer insight into how Islamic finance can manage and benefit from these opportunities.



Moderator: **ABDULKADER THOMAS** — *CEO, SHAPE Financial*
ANITA YADAV — *Head of Fixed Income Research, Senior Director - Wholesale Banking, Emirates NBD*
ARVIND RAMAN — *Head of Financial Institutions, Middle East, Societe Generale*
IVO DETELINOV — *Vice-President, Head of Private Equity Funds, Riyad Capital*
SHARIF EID — *Senior Portfolio Manager, Global Sukuk and MENA Fixed Income, Franklin Templeton Investments*
ZEINA RIZK — *Director – Fixed Income Asset Management, Arqaam Capital*

SPEAKERS' LIST

Name	Job Title	Company Name
ABDULKADER THOMAS	CEO	SHAPE Financial
AHMAD TARMIDZI AL-MUTTAQI MAHMOOD	Executive Director and Group Head of Shariah	First Abu Dhabi Bank
ALAN LAUBSCH	Founder and Chief Strategist	Blufolio
AMBAREEN MUSA	Founder and CEO	Souqalmal
ANDREW NAYLOR	Director, Central Banks and Public Policy	World Gold Council
ANITA YADAV	Head of Fixed Income Research, Senior Director - Wholesale Banking	Emirates NBD
ARVIND RAMAN	Head of Financial Institutions, Middle East	Societe Generale
ASHAR NAZIM	Managing Director	Finocracy
AWAD KAIDOO	CEO and co-founder	Ethis Finance
BISHR SHIBLAQ	Counsel, Head of Dubai Office	Arendt & Medernach
BRYONY TRAVERS	Head of Marketing and Communications	NOW Money
DAVID TESTA	Executive Director	DDCAP Group
DR BELLO LAWAL DANBATTA	Secretary-General	IFSB
GOKUL MANI	Head of Primary Markets – Middle East, Africa, India	London Stock Exchange Group
IJLAL A ALVI	CEO	International Islamic Financial Market
ISMAIL DADABHOY	Advisor to the Board and CEO	International Islamic Financial Market
IVO DETELINOV	Vice-President, Head of Private Equity Funds	Riyad Capital
JUNAID WAHEDNA	CEO	Wahed Invest
KHALID HOWLADAR	Managing Director and Founder	Acreditus
MENG-CHAN SHU	Director of Business Development	Dubai Gold and Commodities Exchange
MOHAMED ALMUTAWEH	CEO and Board Member	Al Baraka Islamic Bank
MOHAMMED KATEEB	Group Chairman and CEO	Path Solutions
MOHAMMED PARACHA	Partner, Head of Islamic Finance – Middle East and Africa	Norton Rose Fulbright
MUNEER KHAN	Partner, Head of Middle East Financial Markets, Regulatory and International Islamic Finance	Simmons & Simmons
NAJMUL HASSAN	Director of Financial Institution Development Department	Islamic Corporation for the Development of the Private Sector
NAJMUL HUSSEIN RASSOOL	Co-founder and Director	Ethis Finance
NEIL MILLER	Global Head of Islamic Finance	Linklaters
ONUR AKSOY	Director, Debt and Structured Finance	Aktif Bank
PANKAJ GUPTA	Founding Partner and Co-CEO	Gulf Islamic Investment
PETER SMITH	Managing Director, Policy and Strategy	Dubai Financial Services Authority
QASIM ASLAM	Partner, Head of Islamic Finance – Middle East,	Dentons
ROBIN LEE	CEO	HelloGold
SALMAN BAJWA	Head of Asset Management	Emirates NBD Asset Management
SHARIF EID	Senior Portfolio Manager, Global Sukuk and MENA Fixed Income	Franklin Templeton Investments
SOHAIL ZUBAIRI	Projects Advisor	Dubai Islamic Economy Development Centre
SYED SAMAR HASNAIN	Executive Director-Development Finance Group	State Bank of Pakistan
THOMAS HIRSCHI	Executive Director, Banking and Insurance of the Financial Services Regulatory Authority	Abu Dhabi Global Market
TOBIAS YOUNG	Head of Hydrocarbons	Dubai Gold and Commodities Exchange
VINEETA TAN	Editor	Islamic Finance *news*
YAVAR MOINI	Financial Sector Expert	World Bank Group
ZEINA RIZK	Director – Fixed Income Asset Management	Arqaam Capital

ARLC GROUP

The ARLC Group is a synergy of different constituent entities which are as follows: ARLC Amanah, ARLC FinTech, Abdul Rahman Law Corporation and ARLC Solutions. Together, they form a stronghold that caters to different client and industry needs, from trustee and safekeeping services, a complete boutique legal practice (including property and real estate transactions), as well as seminars and corporate training services. As a group, ARLC also provides expert advice to companies and individuals venturing into Crowdfunding and FinTech markets, which relates to its ability to cater to the trust aspects of collective investments. While maintaining a harmonious balance between the need for Sharia compliance and the state laws in Singapore, the ARLC Group strives to be the solutions provider for all things legal-related, both in Singapore and the South-East Asian region.

ARLC AMANAH

ARLC FINTECH ADVISORY

ARLC ABDUL RAHMAN LAW CORPORATION
ADVOCATES & SOLICITORS

ARLC SOLUTIONS

YOUR BOUTIQUE REGIONAL PRACTICE

+65 6591 8600

114 Lavender Street
#10-04, CT Hub 2
Singapore 338729

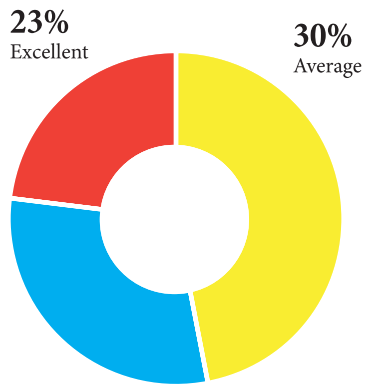
www.arlcgroup.com

COMPANIES' LIST

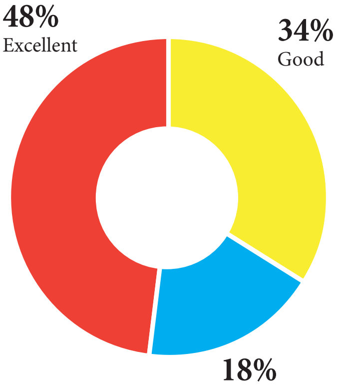
1 International Fincentre Associates
Abdul Rahman Law Corporation
Abdullah Bintoaq Properties
Abu Dhabi Global Market
Abu Dhabi Islamic Bank
Abu Dhabi National Takaful Corporation
Acreditus
Adcourt
Ajna Consultancy
Aktif Bank
Aktif Investment Bank
Al Baraka Islamic Bank
Al Busaidy, Mansoor Jamal & Co
Al Ibtihaj Management Consultancy
Al Marzooqi Advocates
Al Nomow General Trading
Al Rayan Bank
Al Sana Group
Albaraka
Albaraka Bank
Alliott Hadi Shahid
Alphabet Capital Advisors
Aman Insurance
Amanie Advisors
Amplus Consultancy
Ansar Financial Group
Arab Islamic Bank
Arendt & Medernach
Arqaam Capital
ASAP Wealth Consultancy
Atlantic Capital
Attijari Al Islami
Ayala Land
Bank Assafa
Bank of Tokyo Mitsubishi
Banque Havilland
Banque Misr
Barclays
BBAH Business Ventures
Bester Capital
BGC Partners Dubai
Bloom Business Strategies
Blufolio
Board Titans
Buset Investments
Carlyle Rogers Legal Consultancy
CFS Middle East
Chartered Institute for Securities & Investments
CIP Services
Circle Plus Payments
Clyde & Co
CMC Markets
CMS Cameron Mckenna
Crestmount Capital
Danajamin Nasional
Dar Al Sharia
DDCAP
Dentons
Deutsche Bank
DIEDC
DLA Piper
Dubai Financial Services Authority
Dubai Gold and Commodities Exchange
Dubai Islamic Bank
DUX Capital
ED&F Man Capital Markets
Eiger Trading Advisors
Electricity Holding Co
Emirates Islamic Bank
Emirates NBD
Equitativa
Ethis Finance
Finocracy
First Abu Dhabi Bank
Firstrand Bank
Fitch Ratings
Foot Anstey
Franklin Templeton Investments
FWU Takaful
Global Advocacy & Legal Counsel
Ground One Ventures
Gulf Associates
Gulf Islamic Investment
Hammad & Al-Mehdar Law Firm
Heegan Foods
Hellogold
Herbert Smith Freehills
IACAD Dubai
Islamic Corporation for the Development of the Private Sector
Indian Center for Islamic Finance
International Finance Solutions Association
International Islamic Financial Market
Islamic Finance Navigator
Islamic Financial Services Board
ITFC
Jones Day
Jordan Islamic Bank
King & Spalding
Linklaters
London Stock Exchange Group
Lykke
Meezan Bank
MG Falconer Commodities Broker
MMT Adisory & Strategy Group
Mohamed Aleghfeli Advocates
Moody`s Investors Service
Muttwalker for Oil and Gas
Nasib Enterprises
National Bank of Fujairah
NCB Capital
Newparadigm Capital Markets
Nomura Islamic Asset Management
Noor Bank
Norton Rose Fulbright
NOW Money
Path Solutions
Physical Gold Fund
Pisent Masons
PwC
Riyad Capital
S&P Dow Jones Indices
Safarifone Sarl
Scorpius Partners
Shape Financial
Simmons & Simmons
Sobha
Societe Generale
Souqalmal
State Bank of Pakistan
Trowers & Hamlins
Trustexec
U.N.Cargo & Logistics
VG Jersey
Waayeel Consulting
Wahed Invest
Warba Bank
Watson, Farley & Williams
White & Case
Winston & Strawn
World Bank Group
World Gold Council

OVERALL EVALUATION

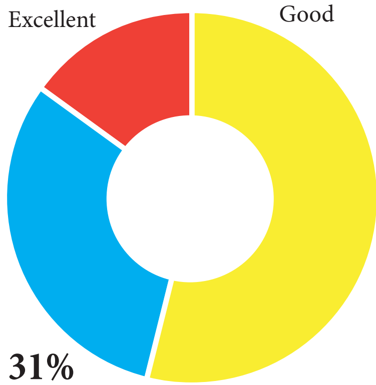
Pre-event Contact



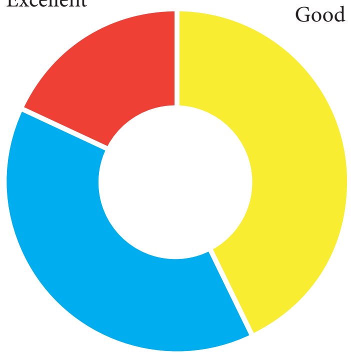
Venue & Facilities



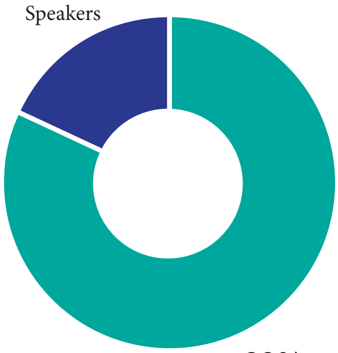
Overall Evaluation of the Event



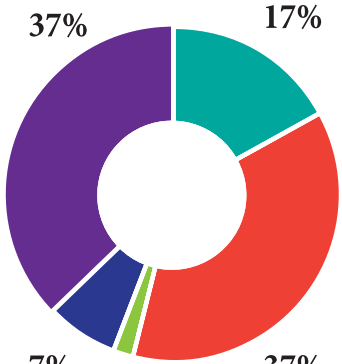
Overall Evaluation of the Speakers



Delegate Breakdown

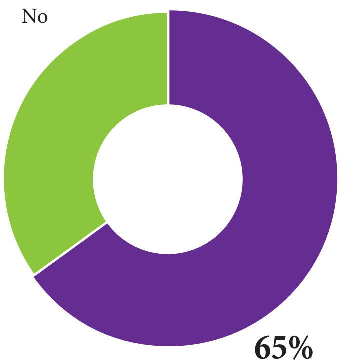


Delegate Job Title Breakdown

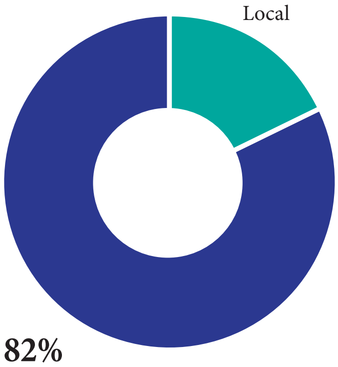


Board Level Management	87
Senior Management	86
Management	40
Executive	16
Others	4
Total	**233**

Delegates Who Would Like to Attend IFN World Leaders Summit 2019

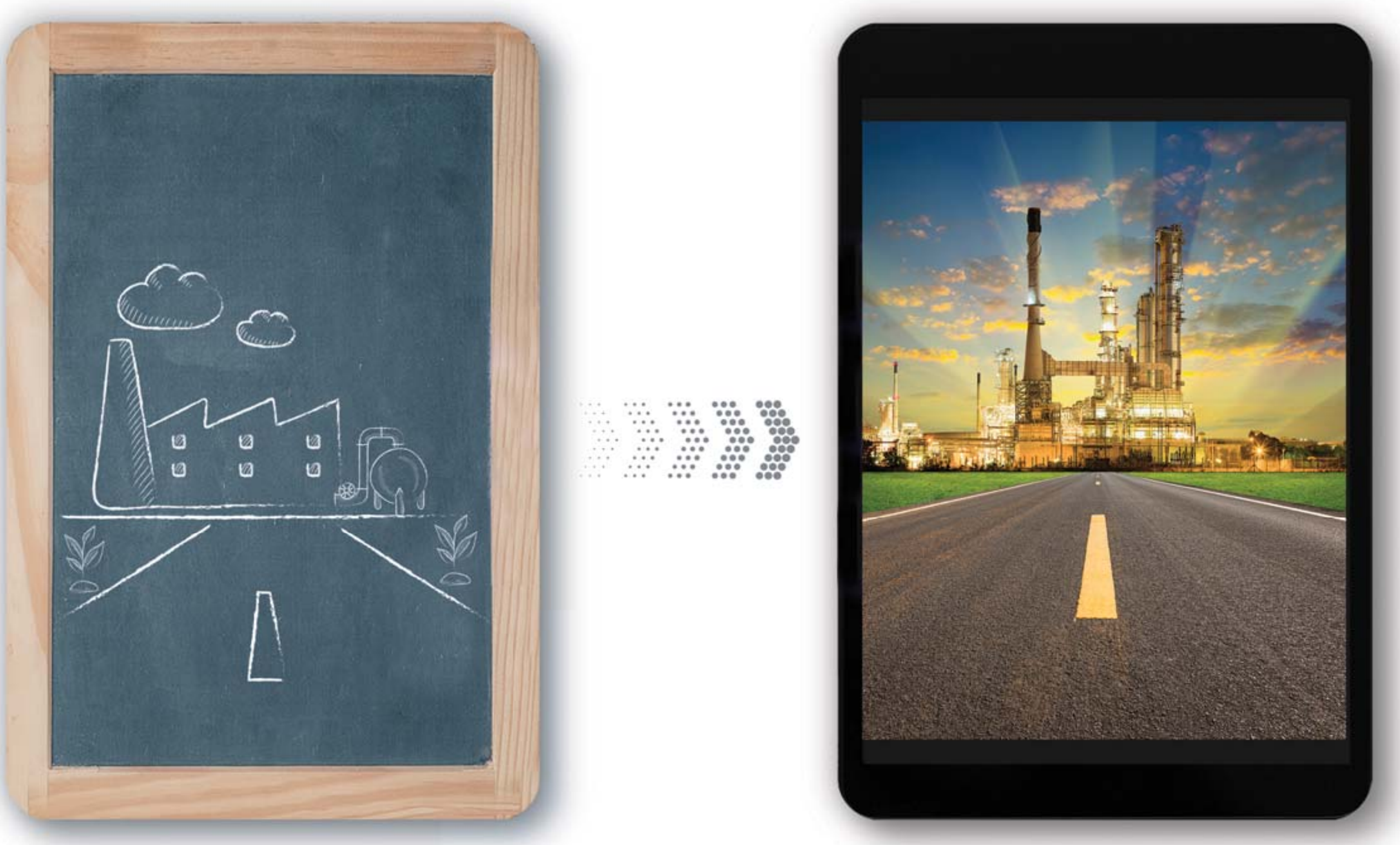


Delegate Breakdown (International & Local)



Islamic Corporation for the Development of the Private Sector

IC THE DEVELOPMENT



ICD helps private sector businesses to finance projects by providing a wide range of Sharia compliant services

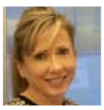
Tel.: (966-12) 636 1400

Website: www.icd-ps.org

#ICD_PS

The role of Shariah-based investments in global diversification

The growing popularity of Islamic finance has led to the development of new Shariah compliant investment tools that are modeled to a certain extent after conventional finance structures but are fully adhering to Islamic principles. ROSIE KMEID writes.



ROSIE KMEID
VP - Global Corporate Communications & Marketing
Path Solutions

The Shariah or sacred law of Islam is a fundamental religious concept which governs the practical aspect of a Muslim's daily life. It is comprised of five main branches: Adab (behavior, morals and manners), Ibadah (ritual worship), Muutakadat (core beliefs), Muamalat (transactional jurisprudence) and Uqubat (penal laws). These branches combine to create a society based on justice, fair dealing and equality for every member of society.

In commerce, the Shariah can determine business style and indicate the need to comply with Halal (lawful) and ethical investing. Traditionally, analysts have argued that devout Muslims are the primary users of Islamic investment products. Today, other investors who are non-Muslims do so for the benefits these products derive, including greater returns, transparency and diversification.

The concepts and principles of Islamic investments

Islamic investments are a unique form of socially responsible investments because Islam makes no separation between the spiritual and the secular. They are the perfect option for someone who wishes to invest responsibly to meet his short and long-term financial goals.

One of the most notable differences between Islamic investments and other forms of investment is the existence of a Shariah board which comprises a group of independent and respected Islamic scholars or jurists who are highly qualified to issue Fatwas, ie religious rulings on financial transactions. Their sources for interpretation follow a hierarchy of authority: The Quran; the Hadith; the Ijma, or consensus of scholars on a particular issue; and Qiyas which are scholarly legal deductions. This panel of Shariah experts approves or rejects potential investments non-compliant with Islamic law according to certain criteria. The experts also make periodic reviews to make sure that the investments remain Shariah compliant every step of the way.

Under Islamic law, Gharar (uncertainty), Maysir (gambling) and Riba (interest) are considered as totally inequitable. In addition, financiers cannot invest in industries that deal with alcohol, tobacco, pork, gambling and adult entertainment that are deemed Haram (unlawful). They are required to carefully maintain social responsibility and ethics in their investment choices.

Once the Shariah board rules an investment as Shariah compliant, investors are free to proceed with making investments. While, in many respects, the processes are similar to what we find in traditional banking, they do incorporate some distinctive features that are unique to Islamic investing. The main types of investment vehicles compatible with Shariah are profit and loss-sharing schemes or participatory banking and mark-up contracts and financial certificates that are known as Sukuk, similar to bonds in western finance but structured in such a way as to generate returns to investors without infringing Islamic law.

"Demographics point to strong future demand for Shariah compliant propositions, and hence there will be a drive toward product sophistication and innovation to cater to the increasing business complexity of investors"

Investing in accordance with Shariah law

While it is the utmost duty of every Muslim to find an investment that adheres to rules and regulations described in the Quran and Hadith, this new type of investment is growing rapidly as an attractive alternative for all investors, both Muslim and non-Muslim, for its ethical foundation, sustainability and social responsibility. Its main benefit is that it encourages people to invest with a social conscience. Of course, the ability of investors to make strategic faith-based choices is inhibited by the quality and type of guidance received from their financial institutions. In the event that investments are considered unethical, Islam encourages the process of purification, and hence any proportion of revenue received from suspected non-compliant activities are paid to charity and thereby purified. The tolerance levels of these activities are evaluated on a case-by-case basis.

Today, the market environment is potentially beneficial for Shariah compliant funds, and the prospective client base looking for values-based investments is expanding. Experts believe that faith-based investing will undeniably outperform conventional investing over the long term due to the growing potential of diversification benefits, and because it provides a comprehensive framework for risk management and prudent investing.

How does Shariah govern Islamic investment funds?

The term 'Islamic investment fund' means a joint pool wherein the investor contributes his excess money for the purpose of investment to earn a profit in strict conformity with the precepts of Shariah. This means that not only the channels of investment, but also the terms agreed with him, must conform to the Islamic doctrine.

The subscriber to the fund may receive a document entitling him to the pro-rata profit actually earned by the fund. This document may be called the certificate, unit or share, and its validity will always be subject to two main conditions: the Shariah board's approval and the Shariah review and audit.

Keeping these basic requisites in view, Islamic investment funds may accommodate a variety of desirable modes of investment such as commodity funds, equity or money market funds and real estate funds, long regarded as a favorite form of investment.

What about Islamic ETFs?

An exchange-traded fund (ETF) is an investment vehicle characterized by an open-ended, index-tracking unit trust fund that consists of a group of securities listed and traded on a stock exchange like a single security.

The relatively new class of Shariah compliant ETFs has emerged alongside the rapid growth of Islamic finance. These ETFs track only benchmark indices that consist of Shariah compliant securities or assets. They seek to provide investment opportunities beyond the existing pool of investment, for both Muslim and ethical investors with the usual benefits of transparency, low management costs, high liquidity, relative safety and solid appreciation potential as a mid to long-term investment.

Obviously, Islamic ETFs' screening process is overseen by leading Islamic scholars and results in a portfolio of securities in adherence with Shariah law.

Conclusion

With a large expanding, untapped and underserved market segment, there are likely to be more Islamic investment opportunities in the future. Demographics point to strong future demand for Shariah compliant propositions, and hence there will be a drive toward product sophistication and innovation to cater to the increasing business complexity of investors.

Through the insights derived from several research platforms, we conclude that the Islamic investment universe is moving to maturity. But while continuing growth seems likely, some challenges persist. Experts expect these issues will fall away with time and the Islamic investment landscape will soon develop into a deeper and more liquid market, with a wider range of faith-based investment opportunities available to the benefit of all.

Web: www.path-solutions.com
Email: info@path-solutions.com

path solutions
Powering Islamic Financial Markets

Asset management — retail: The ETF trend and the REIT boom

Islamic funds are expected to have performed better in 2017 than in 2016 as the global recovery has finally become broad-based and stable. Last year even marked a record-breaking year for stock markets despite geopolitical tensions and uncertainties especially from the Gulf and the Korean peninsula. The year 2017 has also been marked by the growth of two asset classes, exchange-traded funds (ETFs) and REITs.

Overview

Over the past 20 years, the global Islamic funds market has been a rising sector with assets under management (AuM) worth US$70.8 billion at the end of the first quarter of 2017, in comparison with US$47 billion in 2008, according to Malaysia International Islamic Financial Centre. The number of Islamic funds has also increased to 1,535 from 802.

However, the global Islamic funds market remains a niche industry representing only 3% of the global Islamic financial services industry.

Last year, the IFSB even depicted a rather contrasting overview of the Islamic asset management segment, stating that Islamic funds' AuM had been decreasing since 2014 and that between 2015 and 2016, it had fallen from US$71.3 billion to US$56.1 billion. During the same period, the number of Islamic funds had also slightly decreased from 1,220 to 1,167 and nearly 30% of the funds had become inactive.

Money market and equity funds continue to dominate the portfolio of Islamic funds globally, following closely the composition of fund types in Saudi Arabia and Malaysia, both being the two largest drivers in this space.

In addition, a majority of funds are domiciled in Malaysia and Saudi Arabia. Asset managers based in both of these countries hold more than 67% of the total Shariah compliant AuM. Saudi Arabia alone contributed a 35.6% share, with US$25.2 billion-worth of AuM (209 Islamic funds) as at the end of the first quarter of 2017. Malaysia has the most number of Islamic funds globally with 388 funds managing a total AuM of US$22.6 billion.

Stock markets

The performance of the global stock market has been exceptional in 2017 as it ended in a record high gaining more than US$8 trillion in value over the year. This is due to a strong worldwide economy, US President Donald Trump's tax cuts and central banks continuing to ease monetary policies.

Although most major stock exchanges posted sizeable gains, Qatar's stock market tumbled by 18% as a result of its diplomatic crisis with several Arab nations including Saudi Arabia, Bahrain, the UAE and Egypt.

Islamic versus conventional

Most S&P and Dow Jones Islamic indices outperformed their conventional counterparts for the year 2017 as information technology companies — which tend to be overweight in Islamic indices — gained a whopping 39.4% beating the overall market by a wide margin, and financials — which are underrepresented in Islamic indices — experienced some weakness. This marked a reversal from 2016 where a surge in the financial sector late in the year caused Shariah compliant benchmarks to lag.

As at the 2nd April 2017, the S&P 500 Shariah Index outperformed its conventional counterparts on a yearly basis gaining 15.27% against 13.99%. Also, the S&P Global BMI Shariah gained 18.02% while the S&P Global BMI gained 15.73%.

The Dow Jones Islamic Market World grew by 17.32% while the Dow Jones MENA Total Return Index grew by 11.52%. However, the FTSE Shariah All-World Index recorded a 17.3% return while the FTSE All-World Index registered a 19.4% return on a 12-months basis.

The ETF trend and the REIT boom

ETFs and REITs are two of the fastest-growing asset classes in the Islamic asset management industry.

REITs are particularly flourishing in the Gulf. As of today, 12 Shariah compliant REITs have been listed on Tadawul and more are expected to soon be traded on Saudi Arabia's stock exchange as new vehicles are launched or announced almost on a monthly basis. In addition, Oman issued in January a regulation accommodating REITs (See IFN Report Volume 15 Issue 04: 'Shariah compliant REITs to boost Oman's Islamic finance industry').

ETFs are the other fast-growing asset class. They have been mushrooming over the past 12 months with three gold ETFs launched in Iran and Malaysia by Kian Capital Management, Lotus Investment Bank and Affin Hwang Asset Management.

In January, another Malaysian company, i-VCAP Management, rolled-out the country's first Islamic US dollar-denominated ETF. The asset management firm is working on introducing other foreign-currency Shariah ETFs while exploring Islamic leveraged and inverse ETFs. More recently, Masraf Al Rayan, a Qatar-based fully-fledged Islamic bank, issued the Al Rayan Qatar ETF, Qatar's first Shariah ETF.

Outlook

The performance of the stock market may not be as good in 2018 as it was in 2017. Following March's sudden correction, President Trump's decision to apply tariffs on steel and aluminium has already impacted stocks and could very well affect the global economy if this leads to a trade war with China.

In addition, geopolitical tensions may arise in the next few months if President Trump decides to pull out from the nuclear agreement with Iran and if there is a sudden turnaround in the US-North Korea rhetoric.

Islamic Solidarity Fund for Development

The Poverty Reduction Arm of the Islamic Development Bank Group

Bank debt and loan financing: Financing grows faster as global economy picks up

Islamic financing growth continues to outpace its conventional counterpart in many Asian and GCC member states while Africa's nascent Islamic banking industry reveals itself to be very promising with high expectations from market players.

Asia

Malaysia

Supported by a conducive regulatory framework developed with the aim of boosting the share of Islamic financing to 40% of Malaysia's domestic loans by 2020, from what currently stands at 30% today, Islamic banking loan growth has outpaced conventional banking loan growth in 2017.

According to Bank Negara Malaysia's data, at the end of January 2018, Malaysian Islamic banks had extended RM490.94 billion (US$125.8 billion) of financing in comparison with RM443.74 billion (US$113.71 billion) in the same period a year before.

Indonesia

The share of Shariah financing within the total Indonesian banking system rose to 6% at the end of September 2017 against 5.2% recorded in the corresponding period in 2015, according to Fitch Ratings.

Over the same period, the non-performing financing ratio of Islamic banks improved to 3.9% from 4.3% year-on-year, although this remains higher than the conventional sector (2.9%).

The rating agency expects Islamic loan growth to remain above the banking industry's average in 2018, supported by stabilizing asset quality and manageable liquidity.

Pakistan

At the end of the third quarter of 2017, financing and related assets (net) of the Islamic banking industry increased by 52.25% year-on-year to PKR1.04 trillion (US$9 billion), according to the central bank's data. Diminishing Musharakah (29.1%) and Musharakah (21%) were the two most-used financing structures in Pakistan, followed by Murabahah (14.1%), Ijarah (8.3%) Istisnah (6.2%), Salam and others (17.5%).

This growth is driven by strong governmental support as expressed in the Strategic Plan Islamic Banking Industry of Pakistan 2014-18, targeting an Islamic banking overall market share of 15% in 2018 and 20% in 2020.

GCC

Islamic banks in the GCC benefit from a strong demand for Shariah compliant products with stronger growth recorded in Qatar (driven by high infrastructure funding needs due to it hosting the 2022 World Cup) and the UAE, where Islamic banks represent 22.4% of the system's credit; gross Islamic credit in the UAE was up 5.6% against 0.7% for conventional loans.

In 2017, the top five providers of Islamic syndicated financing globally were all UAE-based: Emirates NBD (US$1.47 billion), Dubai Islamic Bank (US$1.45 billion), Noor Bank (US$1.37 billion), Mashreq Bank (US$1.22 billion) and Abu Dhabi Islamic Bank (US$756 million).

Africa

Morocco

Accommodated in 2017, real estate Murabahah is the only type of financing that has been approved by the Higher Council of Ulemas. It is unclear how many financing agreements have been signed so far, but the absence of Takaful is hindering the growth of the industry.

Morocco nonetheless remains a promising market as Murabahah and Ijarah financing for vehicles and equipment, real estate Ijarah as well as Sukuk are expected to be approved by the end of 2018. Indeed, the government plans to issue Sukuk which could open the gates for corporates to follow suit.

Algeria

In Algeria, where two fully-fledged Islamic banks, namely Al Baraka Bank Algeria and Al Salam Bank, are already operating, the recent decision from the authorities allowing state-owned banks to offer Islamic financing products is expected to bolster the development of the industry.

Bourse d'Algerie is in the midst of developing Sukuk structures while the government plans to issue Sukuk.

Tunisia

Tunisia is home to only one fully-fledged Islamic bank, Zitouna Bank. In 2016, the bank's financing increased by 34.51% to TND1.1 billion (US$455.14 million). However, the Republic's Islamic banking landscape is expected to be deeply transformed in the next few months as the central bank is considering to allow conventional banks to offer Islamic products on a window basis.

Europe

Turkey

The Turkish government has set a 15% Islamic banking market share target by 2025. The Islamic segment's high financing growth is expected to outpace that of the banking sector in 2018. Participation banks' NPF ratio of 3.9% was weaker than the sector average of 3% at the end of September 2017, Fitch Ratings reported.

The UK

The UK is currently home to six fully-fledged Islamic banks, namely Al Rayan Bank, Gatehouse Bank, QIB, Bank of London and The Middle East, Rasmala and Rosette Merchant Bank. Abu Dhabi Islamic Bank also has a branch in the UK.

In 2016, Al Rayan Bank's customer financing increased by 43% to GBP1.44 billion (US$2.02 billion); Gatehouse Bank's financing increased by 28.1% reaching GBP135.75 million (US$190.89 million); QIB's financing increased by 28.63% to GBP293.01 million (US$412.03 million); Bank of London and The Middle East's financing increased by 17.28% to GBP556.64 million (US$782.75 million); while Rasmala's 2016 annual report did not record any financing arrangements. Abu Dhabi Islamic Bank's financing increased by 9.76% in 2017 to GBP79.92 million (US$112.38 million).

Debt capital markets: Corporate syndicated financing deals increasing

Sukuk and syndicated financing are two of the most utilized instruments by corporates in search of funding. However, the Islamic debt capital markets encompass several other asset classes including repurchase agreements, structured financing and collateralized financing.

Sukuk

In 2017, corporates have issued more Sukuk, both in terms of the number and value, than the year before. According to Dealogic data, 77 corporate Islamic papers worth a combined US$15.17 billion were sold last year in comparison with 71 Shariah papers amounting to US$13.91 billion in 2016.

From a geographical perspective, Malaysia still leads corporate Sukuk issuances globally but the total value of papers sold between 2016 and 2017 dropped from US$9.71 billion to US$7.97 billion. This contraction may be explained by a reduction in the number of issuances from 60 to 57.

Saudi Arabia came in second in 2017 with only two issuers, namely Saudi Binladin Group and Dar Al-Arkan Real Estate Development Company, with both selling a combined US$3.49 billion. Surprisingly, China took third place with three issuances worth a combined US$1.38 billion.

Utilities and energy came in at the top in terms of value with 15 deals amounting to US$4.55 billion in 2017. Oil and gas and real estate/property took second and third with three and 17 issuances worth US$3.74 billion and US$3.27 billion respectively. Utilities and energy, transportation and telecommunications were the leading trio with eight, six and 10 deals respectively recorded in 2016 and Sukuk facilities amounting to a total of US$3.49 billion, US$3.09 billion and US$1.8 billion respectively.

Table 1: Corporate DCM (debt capital markets) volume — Islamic financing

	2017		2016	
Deal nationality	**Deal value US$ (million)**	**No**	**Deal value US$ (million)**	**No**
Malaysia	7,967.28	57	9,707.03	60
UAE	625	2	3,450	3
Saudi Arabia	3,494.62	2	-	-
China	1,383.72	3	-	-
Qatar	497.27	1	497.23	1
Oman	500	1	76.63	1
Kuwait	500	1	-	-
Indonesia	197.78	10	151.98	5
Japan	-	-	18.71	1

Source: Dealogic

Syndicated financing

The number of Islamic syndicated financing deals obtained by corporates has increased between 2016 and 2017. A total of 30 deals worth US$13.18 billion were signed last year in comparison with 28 deals amounting to US$9.38 billion a year before.

Between 2016 and 2017, the UAE moved from second to first with the value of syndicated financing deals increasing from US$2.95 billion to US$6.06 billion, while, on the contrary, the number of deals signed decreased from 13 to 12. In the meantime, Saudi Arabia moved down to second with syndicated financing worth a combined US$2.83 billion.

However, the Kingdom recorded the biggest deal of 2017 with Saudi Binladin Group raising US$1.87 billion while the UAE recorded the second-biggest deal with Al Motasaliha, a car dealer company, raising US$1.84 billion from a syndicate of banks, including Commercial Bank of Dubai, Dubai Islamic Bank, Emirates NBD and Mashreqbank.

With six deals worth US$1.47 billion, the finance sector led the Islamic syndicated financing market in terms of the number of deals in 2017. It was followed by construction/building, oil and gas and real estate/property with four deals each. However, the construction/building sector took pole position in terms of value with deals worth a combined US$3.13 billion. The auto/truck segment came in second with one deal amounting to US$1.84 billion. It was followed by the oil and gas sector with syndicated deals worth a combined total of US$1.72 billion.

In 2016, the finance sector led the Islamic syndicated financing league table in numbers with five deals worth only US$553.9 million. It was followed by real estate/property with four financings amounting to US$1.14 billion. Utilities and energy (US$2.57 billion), oil and gas (US$1.88 billion), and transportation (US$691.98 million), came in third with three deals each.

Conclusion

Since the beginning of the year, the syndicated financing market has been active, in particular the finance sector as AlBaraka Turk, Vakif Katilim Bankasi and the Investment Corporation of Dubai raised US$319 million, US$150 million and US$1.2 billion respectively.

The Debt Management Office of Saudi Arabia also refinanced a US$10 billion syndicated facility signed in 2016. Given the exceptional response from the global bank market from both existing holders and new banks, the total facility size will be upscaled by US$6 billion to US$16 billion.

On the Sukuk side, S&P expects to see a drop in issuances due to geopolitical risks and economic uncertainties. As a result, Sukuk issuances are expected to fall from US$97.9 billion in 2017 to around US$70-80 billion in 2018.

Project and infrastructure finance: Going green

A key reason behind the geographical expansion of Islamic finance is the need for developing countries to fund their infrastructure projects. As an example, Ghana, despite having no plans to accommodate the industry, now intends to issue a sovereign Sukuk facility in Malaysia to raise funds for the development of its infrastructure. Overall, from roads financed by the IDB in many African countries throughout 2017 to solar power plants funded by Islamic banks in Malaysia, the industry has been tapped multiple times over the past 12 months and many green projects have lately been financed in a Shariah compliant way.

Overview

Securing enough funds for the development of infrastructure — roads, schools, hospitals, power plants, dams, telecommunication, etc — to meet the demand of the fast-growing population living in developing countries in particular is a major challenge for at least the next decade.

According to the World Bank, global infrastructure investment needs will amount to US$3 trillion per annum up to the year 2030 for Shariah compliant financing institutions. The MENA region alone has to invest between US$75-100 billion in infrastructure annually for the next 10 to 15 years.

Zooming in on a particular country, Indonesia needs at least US$157 billion to fund its infrastructure pipeline up to 2020. According to Bloomberg's estimates, the public sector will be able to fund just US$25 billion of the total gap, while state-owned entities are expected to contribute another US$48 billion — leaving over US$80 billion to be funded from the private sector.

To finance projects, particularly infrastructure, companies and sovereigns can tap Islamic finance in different ways. Issuing Sukuk is one of them, obtaining financing or syndicated financing is another. Corporates can also choose project financing, which includes key legal and financial features.

How does this work? Firstly, the financing facility is provided to a specially incorporated SPV, which plays the role of a project company. Secondly, the repayment of the financing facility comes from the revenue generated by the project, not from the project company's shareholders.

Finally, project financing is described as limited or non-recourse since in cases of default, the lender's recourse is limited to the project company's revenue, assets and contracts.

IDB

The IDB is a pivotal contributor to the financing of infrastructure projects. Over the past 12 months, the international Islamic financial institution has extended financings to the Republic of Guinea, Tunisia, Chad, Morocco, Burkina Faso, Mali, Kenya, Malawi, Somalia, South Africa, Cameroon, Egypt, Lebanon, Jordan, Oman, Iran, Turkmenistan, Bosnia and Herzegovina, Turkey, Bangladesh and Fiji, among others.

A number of key projects have also recently been supported by the IDB. This is the case in Tunisia with the Saida dam project in the Kebili governorate. Burkina Faso also signed a financing agreement worth US$102.8 million for the construction of a 50 MW thermal power plant in Ouagadougou while Egypt was provided with US$115.6 million for the construction of two solar plants with a total capacity amounting to 550 MW.

Green projects

Besides Egypt, several other green projects have benefited from Islamic financing last year. In Chad, the IDB will finance 87% of a US$24 million solar project aimed at providing electricity to the rural population. The IDB is also part of an electrification project in Mali worth XOF10 billion (US$18.85 million) comprising the construction of two solar power plants. In Malaysia, both Tenaga Nasional and Gading Kencana Development have tapped the Islamic finance industry for the construction of two solar projects while Malaysia Building Society announced its maiden venture into solar power project financing with a partial funding of up to RM247 million (US$63.89 million) for a project costing RM285 million (US$73.72 million).

Energy

Other energy projects, although not green, were funded in a Shariah compliant manner in the Gulf region. Alizz Islamic Bank inked an agreement with Oman Oil Refineries and Petroleum Industries Company for the construction of a petroleum coke storage facility. Meethaq and Hydrocarbon Finder E&P (HCF) signed an Islamic project financing facility for the development of HCF-operated oil and gas fields in Block 7 of Oman while the Iran's Bank of Industry and Mine opened two lines of credit worth US$270 million and US$250 million for Qeshm Energy's 484 MW combined cycle plant and South Adish Asalouyeh's gas condensate refinery respectively.

Real estate

In the Middle East, Islamic finance was utilized multiple times over the past three months to support the development of malls and real estate projects. In January, Amlak Finance, a Shariah compliant property financier, entered into an MoU with Marseilia Group to develop an urban project in Nasr City, Cairo. A month later, the UAE's Al Ahli Holding Group obtained an Islamic club financing facility of AED1.25 billion (US$340.27 million) for the expansion of Dubai Outlet Mall while Al Farwaniya Property Developments received a seven-year senior credit facility for US$457 million for the development of Reem Mall — the syndicated financing included Noor Bank, a fully-fledged Islamic bank.

In March, Iran's Ayandeh Bank shared that it is currently financing the construction of Iran Mall. The Tehran-based project is expected to be the biggest in the Middle East and one of the biggest in the world.

Food

The food and agriculture industry is another sector that used Islamic finance to fund projects. This was particularly the case in Oman where Meethaq, Bank Muscat's Islamic window, financed at least four different poultry projects.

مركز دبي لتطوير الاقتصاد الإسلامي
DUBAI ISLAMIC ECONOMY DEVELOPMENT CENTRE

دبي عاصمة الاقتصاد الإسلامي
DUBAI THE CAPITAL OF ISLAMIC ECONOMY

ISLAMIC FINANCE

- Islamic financial markets
- Islamic banking assets
- Takaful / Re-Takaful

HALAL SECTOR

- Halal food & beverages
- Pharmaceuticals
- Cosmetics

ISLAMIC LIFESTYLE

- Islamic culture and arts
- Modest fashion and design
- Family-friendly tourism

GLOBAL REFERENCE FOR ISLAMIC ECONOMY, HOME TO TOP-CREDIBILITY INSTITUTIONS AND ISLAMIC INNOVATION ACROSS ALL SECTORS

ISLAMIC STANDARDS

- Certifications
- Accreditations
- Standards for different Islamic economy core pillars

ISLAMIC KNOWLEDGE

- Training and educational programs
- Conferences
- Research and development
- Publications

ISLAMIC DIGITAL ECONOMY

- Acceleration programs
- Research and development
- Publications

@iedcdubai www.iedcdubai.ae info@iedcdubai.ae