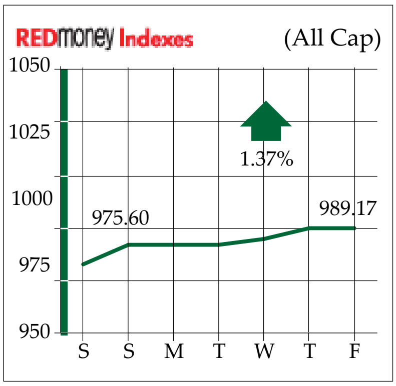
IFN daily

MONDAY 21st OCTOBER 2013

Official publication of:
IFN 2013 Issuers & Investors ASIA FORUM



In this issue

Cover Story

It is with pleasure that we welcome you to the eighth Islamic Finance *news* Asia Forum. The event, which has an unrivalled following and track record in the industry for bringing together the best and the brightest, has made great strides over the last few years. This year is especially significant for us at Islamic Finance *news*, as we are hosting the principals of the three Islamic finance standard-setting bodies — namely IIFM, IFSB and AAOIFI at our first ever standard setters' roundtable.

It is not surprising that Asia has become a focal point for the global markets, be it in the conventional or Islamic finance sphere, as the Asian market has so far lived up to its promise in being a relatively stable and productive environment for most forms of investments; particularly in real estate, healthcare, infrastructure and now, technology.

Asia's status as a melting pot of cultures and traditions has also shaped its business landscape; as all across the continent, different countries have varying strengths to be capitalized on. And in these times, it is always important for us to maintain an optimistic standpoint and keep our heads above the water in order to extract the best out of every market.

In terms of Islamic finance, Malaysia has so far maintained its status as an exemplary jurisdiction in terms of regulations and government support, as well as human capital development, while other countries such as Singapore and Hong Kong are able to capitalize on their strengths of being Asia's most active securities trading markets and a hub for funds.

Across the pond in Indonesia, there are many factors that will contribute to the growth of the republic's Islamic finance efforts, particularly its high number of Muslims, demand for Shariah compliant products on the grassroots level, untapped opportunities in the agriculture and real estate sector, demand for Shariah compliant microfinancing, and a growing interest in Takaful products all bode well for the industry's expansion. However, as with any nascent market, there are still regulatory and tax hurdles and educational needs to be met in order to create a working and sustainable environment for the sector.

In South Asia, countries such as India and Bangladesh are picking up pace in

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Continued from page 1

terms of getting their house in order for the mobilization of Shariah compliant products, with their central banks and governments issuing encouraging statements with regards to creating regulations for Islamic finance, while Pakistan — one of the world's most populous Muslim countries – has become somewhat of an expert in the area of Shariah compliant mutual funds.

> ***"Thus far, the growth figures for Asia have been very encouraging. Southeast Asia alone is expected to grow at an average of 5.6% in 2012, up from 5.3% in 2011"***

Jurisdictions such as the Philippines have also recently come to the market with announcements from its regulators for the introduction of laws to govern Islamic finance, as it realizes the value proposition of Islamic finance to its Muslim population and for the financing of its growing infrastructure requirements.

Australia, one of the most attractive investment destinations due to its stable environment and economic progress despite the global downturn, has also over the years become an attractive market for Islamic finance, especially since the government's involvement since 2010 to create a level playing tax field for Islamic financial products.

Since then, the country with over 40,000 Muslims, has soared in the Islamic equity space and is beginning to capitalize on the long-term interest of Middle East investors and sovereign funds to invest in industries such as infrastructure, logistics and tourism.

Thus far, the growth figures for Asia have been very encouraging. Southeast Asia alone is expected to grow at an average of 5.6% in 2012, up from 5.3% in 2011, while intra-trade between South Asia and the Middle East has seen a hike to 11% over the last year, and is expected to remain on an upward trajectory; all this amid the cacophony in the global financial markets.

However, Asia's position as an emerging market also places it in a Catch-22 situation; while growth is hard to be ignored, risk is equally high, and an unfamiliarity among the global financial

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Continued from page 3

community with the business dealings within Asia and a perceived disparity in business cultures and norms have somewhat created trepidation among investors looking to park their money in what seems to be the world's most bustling region in terms of growth and issuer activity. This however, is expected to change over the course of the next few years as more investors from Europe and the Middle East familiarize themselves with the Asian market.

Asia-based issuers, the Asian Islamic capital markets, market trends in the real estate and wealth management arena, as well as developments and investment initiatives in the Takaful and re-Takaful arena.

Our keynote speakers, panelists and delegates also comprise of the industry's most prominent and influential figureheads, including Mulya E Siregar, the deputy governor of Bank Indonesia; Jaseem Ahmed, the secretary general of the Islamic Financial Services Board; and Dr Khaled Al Fakih, the secretary general and CEO of AAOIFI.

We trust that our event this year will create great opportunities in terms of networking, act as a platform for productive discussions and new ideas, as well as bring invaluable insight into the Islamic finance industry. With that, we wish you a productive and educational forum. — *NH*

> ***"Our Forum this year will cover the timeliest topics in today's Islamic finance landscape, including the strengths of Asia-based issuers, market trends and investment initiatives in the Takaful and re-Takaful arena"***

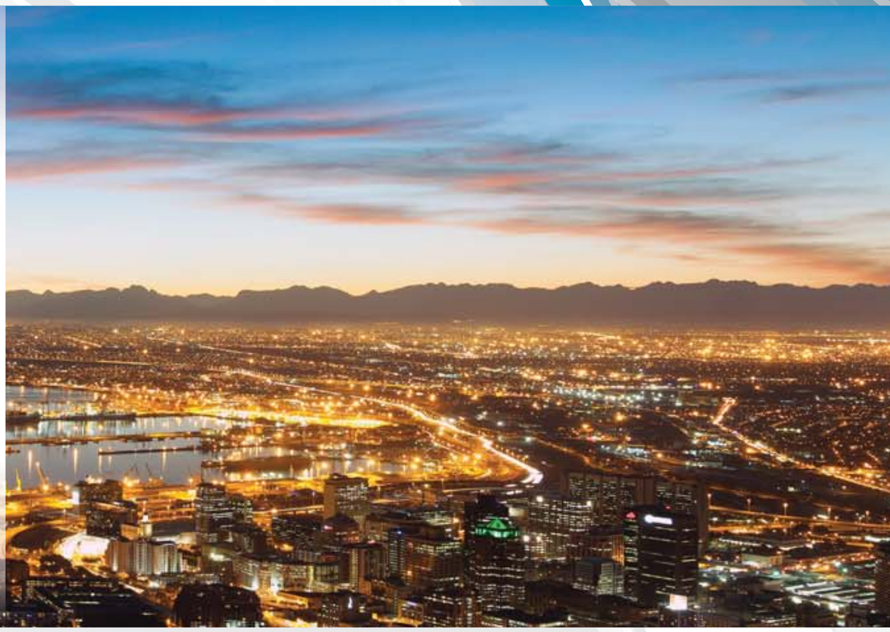
In the deals arena, Malaysia still remains the most active Sukuk issuer out of Asia, with over a 60% share of the Sukuk market in the third quarter of this year. Singapore has also come up with a number of innovative and significant issuances this year, creating cross-border interest in Sukuk, while the Indonesian government has been very visible in the Sukuk issuance space with several deals which were successfully closed by its treasury, including a US$1.5 billion Sukuk.

In light of these developments, our Forum this year will cover the timeliest topics in today's Islamic finance landscape, including the strengths of

IFN 2013
Issuers & Investors AFRICA FORUM

24th November 2013

The Ritz Carlton,
Dubai International Financial Center



The sectors expected to thrive in Africa's vast and diverse economy include Islamic microfinancing, trade and project financing and capital market issuances as well as agricultural investments. With an estimated 45-50% of the African population being Muslim, standing between 400 and 500 million people, Islamic banking has the potential to appeal to those who are currently unbanked and to those who are under-banked and looking for Shariah compliant alternatives to the current conventional banking offerings. With the proper regulations, increased transparency, education, and an objective, non-political perspective of the Shariah compliant sector, there is no doubt that Islamic banking in Africa has the potential to thrive.

Through a series of exclusive regulatory country presentations, practitioner-led round-table discussions, non-debatable power presentations, original case studies and sector focused side sessions, the IFN Africa Forum in 2013 held in Dubai will again be the key, must-attend industry event for issuers, investors, regulators and all financial intermediaries involved in the Islamic financial markets with interest in the African markets.

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DEALS

Profit payment for Al Bayan Sukuk

MALAYSIA: The profit payment on ABHC Sukuk's Sukuk Wakalah program worth up to RM1 billion (US$314.86 million) will be due and payable on the 24th October. ABHB Sukuk is an SPV established by Saudi conglomerate Al Bayan Group for its inaugural ringgit issuance in Malaysia.

From WCT to WCT Holdings

MALAYSIA: Pursuant to the novation agreement/supplemental deed dated the 8th July 2013, WCT's Islamic commercial papers/medium-term notes worth RM100 million (US$31.49 million) have been transferred from WCT to its parent company WCT Holdings, an investment holding firm. WCT is the civil engineering and construction division of WCT Holdings.

Khazanah's convertible Sukuk

MALAYSIA: Sovereign wealth fund Khazanah Nasional is considering the issuance of SG$650 million (US$523.3 million) in convertible Sukuk exchangeable into IHH Healthcare shares next week; with an option to increase the offer by SG$100 million (US$80.51 million), according to Bloomberg.

Cagamas' expected issuance

MALAYSIA: It has been reported that national mortgage corporation Cagamas will sell Sukuk worth up to RM3.8 billion (US$1.2 billion) carrying an expected return between 3.4-5% by the end of the year as part of the firm's existing RM60 billion (US$18.99 billion) debt program, which comprises both Islamic and conventional bonds. Should the deal close, the offering would be the largest Islamic debt issuance out of Malaysia this year.

ASIA

Howard Lee to address IFN HK

HONG KONG: The executive director (monetary management) of the Hong Kong Monetary Authority (HKMA), Howard Lee, has been confirmed to deliver the keynote address at the upcoming IFN Hong Kong Roadshow on the 7th November. Lee is responsible for monetary management and market development at the HKMA, where he joined in 2009 as a division head in the banking policy department. He also worked in the corporate development division before his appointment as executive director (corporate services) in 2010. He was appointed to his current position on the 1st May 2013.

Malaysian Sukuk spread shrinks

MALAYSIA: As the US Federal Reserve affirms its stimulus efforts, the yield on Sukuk issued out of Malaysia has fallen from its all-time high in 2011, with borrowing costs for 10-year Sukuk dropping three times as fast as two-year issuances, to 73bps against the 85bps registered on the 2nd September, according to Bank Negara Malaysia indexes. The gap widened by 53bps after the Fed suggested reducing its quantitative easing program this year, according to Bloomberg.

GLOBAL

Path Solutions' upgraded software

GLOBAL: Path Solutions has launched a new version of its Islamic banking and investment system, the iMAL 12.9, which includes new features and is compatible with previous iMAL solutions.

MIDDLE EAST

GCC Ministerial Committee agrees on unified rules

UAE: The GCC Ministerial Committee has agreed on the recommendations to the Supreme Council with regards to extending the implementation of unified rules on the listing of securities, including Sukuk in the GCC markets for another year on a trial basis, and two years for mutual funds. This will be followed by a review and subsequent mandatory implementation.

ASSET MANAGEMENT

AHB payout

MALAYSIA: Real estate investment company Pelaburan Hartanah and

continued...

Australian Islamic equity fund makes twofold gains in the third quarter

AUSTRALIA: The Crescent Australian Equity Fund (CAEF), Australia's first Shariah compliant equity fund which was established by Crescent Wealth, has recorded a twofold yield in the third quarter of 2013. The fund logged a 23% return for the said quarter, exceeding the 10.3% gain on the ASX 300 over the same period.

CAEF was ranked as the world's best performing Islamic equities fund according to Bloomberg. It also topped the Australian equities fund on Morningstar for the quarter ended the 30th September. Commenting on the achievement, Talal Yassine, the managing director of Crescent, said: "There is enormous potential for Islamic funds in Australia mirroring the significant expansion we have seen in similar funds overseas."

Issam Eid, the portfolio manager for CAEF, explained that the high returns were attributed to the fund's exposure to small caps during the quarter and individual stock picking, particularly within the resources, energy and mining services sectors. "We took the view that valuations of large caps and defensive stocks on the Australian exchange looked expensive and we positioned our portfolio accordingly. Our fund is also precluded from investing in banks which proved to be advantageous as those stocks came off somewhat during the period," said Issam.

Crescent's equities fund capitalizes its investments in gold, iron ore, mining services, residential property and information technology. In the next six to 12 months, Issam expects to see a positive development to the CAEF portfolio and anticipates that the fund will continue to perform well on the back of its exposure to natural resources mining and consumer products.

The Islamic fund was kickstarted with an initial investment of US$5.5 million from risk manager Aon Hewitt and was intended to focus mainly on resources. Last year, the firm partnered with Bank of London and The Middle East to provide investors of the Crescent Islamic Cash Management Fund with exposure to Sukuk investments through a portfolio managed by the bank.

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Maybank Asset Management have made 7.5% in total income distribution for their Shariah compliant Amanah Hartanah Bumiputera (AHB) retail fund for the financial year ended the 30th September. The dividend consists of two income distributions of 3.25% each in addition to a 1% bonus distribution for each unit. This is AHB's highest payout since its inception in November 2010.

The AHB fund has also been increased in size to two billion units due to strong investor demand.

TAKAFUL

IFSA woes

MALAYSIA: Investment holding company MAA Group may lose its listing status as it is likely unable to purchase a new core business as the firm plans to utilize the balance sale proceeds of its conventional insurance arm to recapitalize its Takaful arm, MAA Takaful, to comply with the new Islamic Financial Services Act 2013 (IFSA).

The IFSA requires Takaful operators with a composite license to separate their Family business from General Takaful operations with a minimum capital of RM100 million (US$31.74 million) each. As such, the group would not have sufficient funds to acquire another financial services business due to their exorbitant prices, according to Ya'acob Tunku Abdullah, MAA Group's executive chairman.

Filipino Takaful coverage

PHILIPPINES: With the aim of alleviating the suffering of Filipino Muslims in the disaster-hit island of Mindanao, the Philippine Insurance Commission is looking to offer Takaful to its citizens, while encouraging the introduction of regulations to govern the sector. Insurance commissioner Emmanuel Dooc said that the commission will be engaging experts in Islamic banking and insurance to advise on the matter.

PruBSN-Saadiq tie up

MALAYSIA: Prudential BSN Takaful has launched a new medical plan dubbed Health Enrich which will be offered to existing and new customers of Standard Chartered Saadiq.

New hire for Miller Insurance

MALAYSIA: Razi Sulaiman, a Takaful and treaty reinsurance specialist, has joined the Malaysian office of Miller Insurance Services. Focusing on the Islamic insurance sector, Razi will assist in expanding the firm's treaty and facultative book in the markets of Brunei, Indonesia and Malaysia.

RATINGS

Turkish Sukuk rated

TURKEY: Turkey's sovereign Sukuk has been rated 'Baa3' by Moody's with a stable outlook. The US dollar lease certificates were issued via Hazine Müstesarligi Varlik Kiralama Anonim Sirketi.

Preliminary rating for PMSB Sukuk

MALAYSIA: Putrajaya Management (PMSB)'s proposed RM370 million (US$116.5 million) Sukuk Wakalah program has been assigned a preliminary rating of 'AAA(IS)' by MARC with a stable outlook. The firm is a subsidiary of property developer Putrajaya Holdings.

Weststar's Sukuk affirmed

MALAYSIA: Weststar Capital's RM900 million (US$283.38 million) Sukuk Mudarabah program has been rated 'AA-IS' by MARC with a stable outlook. The firm is a wholly-owned subsidiary of offshore helicopter operator Weststar Aviation Services.

StanChart Saadiq reaffirmed

MALAYSIA: Standard Chartered Saadiq has been reaffirmed at 'AAA/Stable/P1' by RAM.

RAM rates Bank Rakyat

MALAYSIA: Bank Rakyat's proposed Islamic medium-term notes (MTN) and Islamic commercial paper programs worth up to RM9 billion (US$2.85 billion) in nominal value, issued through Imtiaz Sukuk II, has been assigned preliminary ratings of 'AA2(s)' and 'P1(s)' respectively by RAM.

The ratings agency also reaffirmed the bank at 'AA2/Stable/P1' and its RM1 billion (US$316.57 million) Islamic MTN program issued via Imtiaz Sukuk at 'AA2(s)/Stable/-'.

BIMB Holdings' acquisition of Bank Islam scheduled for December

MALAYSIA: The shareholders of BIMB Holdings have approved the proposed acquisition of a 49% stake in Bank Islam for a total of RM2.79 billion (US$884.6 million).

During BIMB Holdings' extraordinary general meeting on the 17th October, its shareholders came to a resolution that the purchase of Dubai Financial Group's 30.47% stake in Bank Islam would be bought for US$550 million, while the remaining 18.53% held by Lembaga Tabung Haji will be secured through a cash consideration of RM1.05 billion (US$334.6 million).

Commenting on the deal Johan Abdullah, the CEO of BIMB Holdings, said: "This is the last hurdle. We will then fix the book-closing date and fix the price for rights issue. We are looking at completing the entire exercise in the third week of December." Upon completion, the earnings and profit contributions from the bank will increase from the present 85% to 90%. He further explained that the acquisition will help leverage on the growth of Bank Islam in its pursuit of group-wide consolidation and strategic coherence.

In line with its objectives, the company also resolved on a 426.71 million renounceable rights issue at RM3.80 (US$1.20) per share, together with corresponding free detachable warrants to raise RM1.62 billion (US$512.84 million). BIMB Holdings also proposes to issue a 10-year Sukuk worth up to RM2.2 billion (US$697.81 million) in the event that the final rights issue share is lower than the desired value.

Japan: Land of the rising sun

At a time when industry specialists predict Islamic finance to continue growing at a rapid pace, the world's third-largest economy, Japan, has been surprisingly slow to acknowledge the importance of its Islamic finance proposition. However recent amendments suggest that this may change. SYED SIDDIQ AHMED explores.

Legal and regulatory: Japan has maintained a status quo in offering tax exemptions by extending them till March 2016. The tax exemption for interest on book-entry transfers of Islamic bonds expired in March 2013. The regulation to permit subsidiaries of Japanese banks to engage in Islamic financial transactions by the Japanese Financial Services Agency (FSA) in December 2008 also continues to be in force.

The central bank, Bank of Japan, continues to maintain its membership of the Islamic Financial Services Board (IFSB) as an observer member. In addition, the Japan Bank for International Cooperation (JBIC), the Japan Securities Dealers Association (JSDA), Mizuho Bank and Sumitomo Mitsui Banking Corporation (SMBC) are also observer members of the IFSB. While regulations have allowed Japanese banks to operate in external markets and to structure and place Islamic deals offshore, Japan's domestic banking rules still do not permit the most common Islamic finance transactions.

Business environment: Japanese industry players have shown a calm yet cautious optimism towards the Islamic finance industry. "Many companies are sitting on a huge amount of cash and do not want to raise funds through unconventional means such as Islamic," said Takashi Tsukioka of Nagashima Ohno & Tsunematsu, Japan's leading law firm. With a negligible Muslim population and a lack of Shariah compliant industry players, Japan does not seem to feel the need to explore Islamic finance market deeper.

However, there have been developments by Japanese corporations such as Aeon Credit, Toyota Corporation and Nomura Holdings who have raised Sukuk in the overseas market. Aeon Credit was the first to issue a Sukuk in 2007 with a total of US$45.3 million in the Malaysian capital market. Toyota followed with a RM1 billion (US$306 million) issuance, while in 2010 Nomura issued its highly successful US$70 million syndicated commodity Murabahah facility with a US$100 million Sukuk Ijarah.

In July 2013, Bank of Tokyo-Mitsubishi UFJ launched four Islamic financing products under its international currency business unit. It is also the first Japanese bank to hold an in-house Shariah committee and plans to start its Islamic window operations soon.

Japan's Mitsui Sumitomo Insurance acquired a 35% stake in Hong Leong Takaful, formerly known as Hong Leong Tokyo Marine Takaful. Japanese insurance group Orix Corporation also has Takaful operations in countries such as Pakistan and Sri Lanka with local collaborations. It has acquisition plans worth JPY50 billion (US$506 million) in Southeast Asia, the Middle East and Africa within the next one year. Japan also has several Shariah compliant exchange traded funds (ETF) in overseas markets. According to Eurekahedge, the total fund size of Shariah compliant ETFs domiciled in Jersey amount to US$6.1 billion.

Product and services: There are a host of Shariah compliant products issued by Japanese overseas banks. While corporate banking offers products such as Murabahah working capital and commodity Murabahah financing; Islamic project financing offers Istisnah and Ijarah products. Trade finance offerings include Islamic bank guarantees and Islamic standby letters of credit. In addition, Japanese firms have issued capital market products including Sukuk that are similar to trust certificates and accrue dividend type income.

Opportunities: While the continuation of tax exemptions provides ongoing motivation for the Islamic proposition in Japan, much is expected from the Islamic finance industry players outside of Japan to enter and open up the Japanese markets. In particular, amendments that were made to the asset securitization and tax laws in 2011 allowing Japanese Sukuk (J-Sukuk) have not yet been used to their potential.

Motoko Katakura, the former director-general of the International Research Center for Japanese Studies (IRCJS) in Kyoto, stated that the number of Muslims in Japan is rising dramatically. With the Middle East and Asian economies booming, Japan might step up its efforts in formulating laws to facilitate Islamic financial transactions.

The Japanese market is both resilient and flexible, and has already survived the worst of crises such as the 2011 tsunami/earthquake and subsequent nuclear problems, Fitch Rating's recent downgrade by two notches from 'A+' to 'AA' and the effects of severe flooding in Thailand (which disrupted the Japanese manufacturing industry). Islamic finance structures could encourage diversity in Japanese markets to counter such disasters effectively. The Tokyo Stock Exchange, where S&P launched its Shariah compliant fund, also holds that with the revision in tax laws and listing requirements, it is prepared to accept listings under a Sukuk structure.

Challenges: Japanese industry experts maintain that the issuance of Sukuk and other Shariah compliant instruments will be difficult and expensive as they do not have the required expertise, and firms investing in Islamic compliant structures might face a competitive disadvantage. A lack of institutional Islamic investors and the absence of any significant demand for Islamic products may further dampen the Shariah proposition in the Japanese market. However, the main hindrance to the development of Islamic finance remains the lack of a conducive regulatory and tax framework.

Outlook: Japan has taken the initiative and has maintained friendly regulations for the development of Islamic finance but remains relatively restricted to external markets and foreign investors. It will be up to the global Islamic finance industry players to look towards the Japanese markets to diversify their portfolios and introduce more Shariah compliant investments. This will not only prompt the local industry players to look for alternative asset classes but will also push regulatory authorities to frame appropriate laws for the development of the Islamic proposition in the country.

This article was first published in IFN Volume 10 Issue 33.


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Beyond Shariah and corporate governance

With an ever increasing number of Islamic financial institutions around the world, the corresponding need for an ongoing corporate and Shariah governance framework cannot be over-emphasized. SYED SIDDIQ AHMED discusses its importance in the modern day Islamic economy.

Experts agree that various financial crises around the world have their roots in the lack of stringent corporate governance and ethical practices. The unprecedented growth in Islamic financial markets carries an equal amount of risk in managing these responsibilities. The absence of strong Shariah risk governance will not only impact credibility but will also affect stakeholder interests and confidence in the industry.

Regulations

The guiding principles of IFSB 3.1 and 7.1 on Corporate Governance and Risk Management affirm that appropriate mechanisms must be created and that Islamic financial institutions must have in place adequate systems and controls, including a Shariah board and advisors to ensure compliance with Shariah principles.

An Islamic finance framework needs a concerted common platform to manage, control and regulate the affairs of Islamic financial institutions on a global scale. Although various jurisdictions adopt standards issued by international organizations like IFSB and AAOIFI, these are not binding.

Some supervisory authorities have their own Shariah boards that work together with the institutions to issue relevant Shariah pronouncements and standards; while others leave it to the individual institutions to formulate their own practices. For example, Kuwait and Qatar allow their Islamic banks to self-regulate and only intervene when there are conflicting opinions on a case-to-case basis. AAOIFI, IFSB and the central banks of various countries have also set standards relating to the responsibilities of Shariah board members and their minimum skill requirements.

Malaysia's central bank, Bank Negara Malaysia (BNM), recommends the inclusion of at least one Shariah scholar on the board of directors of an Islamic bank, but this is not a compulsory mandate. However, the latest Shariah governance framework from BNM has set a precedent for other jurisdictions to follow similar guidelines.

As a further initiative, the Islamic International Rating Agency (IIRA) has been established. The rating process deploys a comprehensive methodology including parameters such as transparency and disclosure, board performance, compensation, ownership interest, internal audit and control and other established global best practices.

The primary risk factor of investors in the financial services industry, especially in the Middle East, is the rule of law and the robustness of the corporate governance framework. Leading Islamic financial markets like Dubai and Malaysia have gone as far as setting up autonomous regions (i.e. the Dubai International Financial Center and Labuan) to safeguard investors' interest, but more needs to be done to ensure the strength of the overall corporate governance framework.

Board expectations

There are growing expectations from the industry for banks' management boards to nominate members with ethical leadership qualities coupled with Shariah and/or other domain expertise. There is also call for increased participation from stakeholders.

An increasing number of Islamic financial institutions now look beyond just plain Shariah compliance, explains Dr Syed Hamid Aljunid, the head of Economics and Corporate Governance at INCEIF. Many Islamic banks, especially in countries like Malaysia, have heightened their focus on Shariah compliance and prefer qualified Shariah graduates within their departments to carry out functions like Shariah audit, Shariah review, risk management, research and product development.

However according to AAOIFI, the presence of Shariah supervisory boards should be seen as a minimum requirement rather than as a fulfillment of all governance responsibilities.

Issues

Governance has become a key issue for stakeholders in the Islamic finance industry. However, there still remain challenges such as the lack of qualified Shariah scholars, multiple board representations and conflicts of interest.

Some jurisdictions have made progress in this regard. While Bahrain and Pakistan place no restriction on members of their National Shariah Board to serve on the boards of the financial institutions, this is not the case in Indonesia or Malaysia.

In response to the claim that Shariah boards of Islamic banks are prone to conflicts of interest; a group of Islamic scholars from South Africa have proposed to create partnerships between the boards and Muslim depositors. This, they say, will insulate the boards from the pressures exerted by the bank managements. Notwithstanding all these issues there have been active developments in improving the governance standards of Islamic financial institutions and unless these efforts continue it will be a steep road ahead.

This article was first published in IFN Volume 10 Issue 31.

AGENDA

21st - 22nd October 2013, Kuala Lumpur Convention Centre

Monday, 21st October 2013

08:00 - 09:00 Registration

09:00 - 09:10 **Chairperson's Introduction**

09:10 - 09:25 **Keynote Address: Regulatory Perspectives on the Development of Islamic Financial Markets: Sustaining Growth with Stability**

09:25 - 09:35 **Keynote Address**

SESSION 1: Advancing Asia's Islamic Capital Market — Ensuring Continued Development and Sustainable Growth

09:35 - 10:20
- The continued development of the Islamic capital markets in Asia and the role of market players in ensuring its sustainability
- Capitalizing on growth in emerging markets and greater access to these new markets
- Examining notable issues in 2013 and why they succeeded: MAS RM1 billion Perpetual Sukuk, Sime Darby US$800 million Sukuk, Republic of Turkey US$1.5 billion Sukuk Ijarah
- Outlook for sovereign Sukuk from Asian economies in 2013: Opportunities, benefits and what its absence signifies
- Building on efforts to pursue investment flows from the Middle East in light of increasing competition from Europe, Africa and other new markets
- Discussing the increasingly crucial role of multilateral agencies in the development of Islamic finance in Asia

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10:20 - 10:35 **Presentation: The Global Islamic Finance Market: Is it Truly an Alternative Finance and Investment Market?**

10:35 - 11:00 Networking Break

SESSION 2: Islamic Capital Markets and Sukuk: Innovation in Regulations and Structuring to Support Growth

11:00 - 11:45
- Diversifying Islamic finance offerings: Outlook for innovative Shariah compliant structures and products suited to the Asian market
- Innovative solutions: Entrance of new Shariah compliant asset classes, structures and funding uses
- Refinancing and restructuring Islamic capital market transactions — lessons from the Gulf
- Market development: What strides have aspiring Asian markets made in promoting Islamic finance transactions — Hong Kong, Singapore, Japan, South Asia
- Reviewing recent regulatory updates and central bank guidelines affecting Islamic finance transactions in Asia

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11:45 - 12:00 **Presentation: Future Potential and Opportunities for Asian Issuers in Europe's Islamic Finance Sector**

12:00 - 12:20 **Launch of EY's Global Takaful Insights 2013**

12:20 - 13:30 Luncheon

KBL EUROPEAN PRIVATE BANKERS

SESSION 3: Islamic Asset, Project and Infrastructure Financing — Trends and Innovation in Structuring

13:30 - 14:15
- The role of central banks and multilateral agencies in advancing the growth of Asia's Islamic infrastructure financing projects
- Assessing the potential of emerging alternative assets and its suitability to Shariah compliant financing: Key considerations for issuers
- Reviewing the success of utilizing Islamic infrastructure financing in public private partnership ventures
- Leveraging emerging opportunities in cross border Sukuk through project and infrastructure financing
- The need for greater corporate sector participation to galvanize Asia's project based Sukuk offerings for infrastructure development
- Discussing the increasingly popular trends of Shariah compliant syndicated financing and mezzanine structures

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14:15 - 14:30 **Presentation: Settling Commercial Disputes With the KLRCA i-Arbitration Rules**

COUNTRY ROUNDTABLE: Leveraging the Unique Strengths of Asian Markets in Developing a World Class Islamic Finance Hub

14:30- 15:30
- Accelerating the growth of Indonesia's Islamic capital market: The need for greater corporate participation and product innovation
- Assessing Sri Lanka's progress thus far and steps needed to continue its steady growth
- Key drivers behind Turkey's rapid development in the Islamic capital market
- Brunei: Market outlook and prospects for longer term Sukuk issuances to attract domestic and foreign investors
- Bangladesh: Overcoming lack of funding and political instability in developing its massive potential in the Islamic finance space
- Prospects for Sukuk issuances from the Maldives: Progress made by regulators and market players

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15:30 - 15:45 **Presentation: Islamic Project Finance for LNG Vessels**

15:45 - 16:15 Networking Break

SESSION 5: Real-Life Issues and Challenges Facing Islamic Issuers

16:15 - 17:00
- Issues relating to fees, distribution, intermediaries, advisors and cost efficiency
- Examining Shariah compliant infrastructure financing: Asset classes and opportunities for issuers
- Maturities, pricing, ratings and credit enhancement for Sukuk issues
- Book-building and initiatives to broaden the investor base for Islamic issuances
- Innovation in fixed income products for Asian issuers: the potential for Global Depository Notes as a financing tool
- Impact of Basel III and other global regulatory requirements on Asian Islamic banks and issuers
- The growing need for quality learning programs to raise awareness amongst issuers and develop qualified talent in the Islamic financial services industry

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DEAL ROUNDTABLE: Discussing Key Trends, Features and Success Factors of the Year's Most Prominent Deals

17:00 - 17:45
- Cagamas RM500 million Sukuk Wakalah Bil Istithmar
- Khazanah Nasional US$357 million Exchangeable Sukuk
- Turkiye Finans US$500 million Wakalah Sukuk
- The Republic of Indonesia US$1.5 Billion Rule 144A/Reg S Sukuk
- DanaInfra Nasional US$490 million Sukuk Murabahah

17:45 - 17:55 Chairperson's Closing

Tuesday, 22nd October 2013

08:00 - 09:00 Registration

09:00 - 09:15 **Keynote Address: Advancing the Sustainable Development of the Islamic Capital Markets in Asia**

09:15 - 09:30 **Chairperson's Introduction**

SESSION 1: The Islamic Investment Environment and Market Trends, Opportunities and Strategies

09:30 - 10:15
- The pricing of risk in the Islamic investment environment in the coming year: What are we going to see?
- Identifying new and important Shariah-compliant investment destinations and asset classes in the coming year
- The role and growth of the private banking and wealth management sector in Asia and the Gulf
- Key product growth segments in Asian Takaful markets: How can the industry maintain present growth rates?
- Regulatory and risk management issues in today's Islamic markets: Restructuring, recovery, default and insolvency

10:15 - 10:30 **Keynote Presentation: Standardization in Islamic Capital and Money Market**

10:30 - 11:00 Networking Break

SESSION 2: Islamic Institutional Investment Management Products and Markets in Asia and the Gulf

11:00 - 11:45
- The changing face of the institutional investment market: The growth of pension, Takaful and sovereign wealth funds in Asia
- Discussing the investment strategies of sovereign wealth funds and institutional investors in the coming year
- Investment and product trends in Asia and the Middle East: Derivatives, equity-linked products: is there a new direction?
- The potential of Islamic private equity growth in Asia and the Gulf: Key sectors and opportunities
- Examining the crucial issue of Shariah compliance for today's Islamic investments structures and products
- Investment mandates for pension funds and institutional funds in Asia: What can Islamic finance offer?

11:45 - 12:05 **Presentation: Findings of EY's Global Takaful Insights Report 2013**

12:05 - 12:35 **The Standard Setters' Roundtable: The Three Heavyweights of the Islamic Finance Industry**

12:35 - 14:00 **Luncheon Address: The Need for Alternative Investments in Islamic Finance**

Luncheon

14:00 - 14:15 **Presentation: Takaful in Asia: Potential Growth and Challenges Ahead for Asian Takaful Operators**

SESSION 3: Islamic Real Estate Finance and Investment in Asia and the Gulf

14:15 - 15:00
- Real estate finance as an asset class: What is available for the Shariah-compliant investor?
- Effectively structuring deals and managing market and Shariah risk in real estate finance investments
- What can Malaysia learn from mature real estate destinations such as the UK?
- The role of sovereign wealth funds in the regional real estate investment environment
- The development of equity-linked investment tools such as i-REITS

SESSION 4: The Role of Islamic Finance in the Growth and Development of the Wealth Management Sector in Asia

15:00 - 15:45
- Key demographics: size and potential of Asia's high net-worth market
- What can Islamic finance offer this growing and important market?
- Product propositions and asset classes available for the Islamic wealth management sector: how will this develop?
- Structured, risk management and capital markets products for the wealth management market
- Developing effective marketing and distribution strategies for the Islamic wealth management sector

15:45 - 16:00 **Country Presentation: Opportunities, Future Prospects and Challenges in the Iranian Islamic Financial Market**

SESSION 5: Investment Initiatives and Developments in Takaful and Re Takaful

16:00 - 16:45
- Assessing optimal investment strategies for Asian Takaful companies: Debt vs equity
- Impact of recent regulatory measures on the Takaful industry
- Outlook for bancaTakaful business vs traditional stand alone Takaful operations
- Sukuk and the investment opportunities it presents for Takaful operators
- Challenges facing the Asian Takaful industry — creating a diversified investment portfolio, risk concentration in limited asset classes, financial institutions and regions
- Addressing the critical lack of quality investment instruments for the Takaful industry: Role of regulators and market players
- Investment challenges and opportunities specific to re Takaful operator

16:45 - 17:00 Chairperson's Closing

Late to the table: Which Asian nations are going hungry at the feast?

Islamic finance is a booming industry with a strong growth rate that is attracting participants from all over the world as the flaws in the conventional industry are increasingly exposed and countries seek alternative means of diversifying their financial bases. LAUREN MCAUGHTRY takes a look at the line-up.

Although the industry has a number of strong leaders who have pioneered its development and are now reaping the rewards, countries who have been less proactive are finding that joining the party might not be quite as easy as just knocking on the door.

A new world order

Asia Pacific is one of the economic boom areas that is contributing to a global shift in power from west to east. A new report from Business Monitor International released last month highlights 15 developing markets which are currently seeing growth rates exceeding both China and India, and five of these are Asian nations.

By 2020 the report predicts that the balance of economic power will have shifted to the east, with emerging markets holding a greater share of total global GDP for the first time ever: at 52.5% (US$59.78 trillion) compared to 47.5% (US$54.19 trillion) for developed markets. Currently the balance stands at 56.6% or US$42.62 trillion for developed markets compared to 43.4% or US$32.69 trillion for the developing world.

With this massive economic opportunity, countries in Asia Pacific are also developing their financial systems. The data highlights a key turning point for the global economy as the balance of power gradually swings from the struggling west to the booming east.

Along with this shift in economic influence comes an accompanying movement in the weighting of the global financial sector. In 1990, banks from western economies accounted for around 80% of the top 1,000 global banks (778 from the western bloc, 112 from Japan and just 93 from the rest of Asia). By 2010 this had shifted to just 586 from the west, compared to 224 from Asia ex Japan, and the trend is set to continue — by 2032 Asia will account for 60% of the global population and Asian banks (excluding Japan and China) will account for 30% of the industry.

Opportunity knocks

Building on and leveraging this optimistic forecast, countries in the region continue to seek diversification opportunities and Islamic finance represents one of the most tempting tables to join: with a growing global Muslim population that is seeing its purchasing power rapidly increase, along with a financial system that is constantly developing in terms of sophistication and product offering so that it now represents a viable alternative to the conventional in many areas. The Islamic finance sector has reached a point in its global development where standards are being settled, dispute resolution has developed and international players are increasingly comfortable participating in the industry.

Investment flows

A driving factor behind the importance of Islamic finance is the indisputable economic advantage it brings to the increasing trade flows between Asia and the Middle East. The economic relationship between the two regions is rapidly developing beyond the energy sector — about 40% of the GCC's non-oil exports are now to Asia, while China's exports to the GCC are estimated to be growing by 30% per year. Financial flows between the two regions are also increasing significantly.

With rising oil prices in recent years resulting in significant foreign reserves, GCC countries have been rebalancing their foreign investments with a greater allocation towards Asia as wealth is redistributed according to economic growth. Leading global consultants McKinsey have noted that between 2002-06, around 11% of GCC's capital outflows were to Asia — and that this share could double to up to 20% by 2020. And Asia in turn is also investing into the Middle East region, particularly in infrastructure projects in the GCC. With growing fund flows in both directions, Islamic finance is increasing in importance and countries on both sides of the world are recognizing the economic power its clients can wield.

Leading lights

Yet while the countries that have pioneered this development, such as Malaysia, are now reaping the rewards; others are finding that it is not as easy as just jumping on the back of the bandwagon. Islamic finance is a moving target that is constantly evolving and without the necessary expertise, experience and investment it can be difficult to set up a viable industry. While involvement may provide substantial rewards nothing comes for free and investment is needed – both at a national, regulatory and institutional level – in order to enter the game.

The role of the state

It comes as no surprise that Malaysia is the leading pioneer of Islamic finance in Asia. With a sector that now accounts for over 25% of the overall banking system and a government that has constantly supported and promoted the industry through investment and regulation, the country is not just a regional but a global powerhouse. But what is the driving force behind this success? Speaking to Islamic Finance *news* Bobby Tay, the CEO of Sabana REIT, the world's largest Shariah compliant real estate investment trust, explained the significance of the state's role in developing a viable industry and suggested why other nations in the region may not have been so successful.

"Government support is of paramount importance. If governments — especially central banks — do not believe in Islamic finance and to make special arrangements such as giving incentives and promoting these incentives widely, then these countries will never succeed [in the industry].

"In Malaysia, Islamic finance is a huge success as Bank Negara Malaysia (the central bank) promotes it through education by setting up INCEIF university, and promotes the use of Islamic finance products through tax incentives."

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Upcoming star

Malaysia does not stand alone — Tay also points out that as the world's most populous Muslim nation: "Indonesia is following Malaysia and will reap the same success too." The country has seen a wide-reaching range of new regulations and central bank support; designed to promote and develop the Islamic finance industry and increase its market share. Just last month new central bank regulations were released concerning the loan-to value ratio and financing-to-value ratio for property credit and property-backed consumer loans to provide equal treatment for Islamic banks, and the results are encouraging.

In 2012 Indonesia's Islamic banking assets grew by 50% to US$17 billion, and are expected to continue their upward trajectory as the number of Islamic institutions grows and foreign investors flock to the country's burgeoning capital market. The country also recently established a new financial services authority, Otoritas Jasa Keuangan, which in creating a more regulated and transparent environment for the Islamic capital market should also go a long way towards encouraging growth.

A muted roar

Yet while Indonesia demonstrates what can be achieved with investment and staunch government support, other nations have not been so lucky in achieving success. Singapore, for example, despite repeated efforts, has so far failed to achieve a scale market in Islamic finance and the lion state is facing an uphill struggle in developing the sector despite its reputation as a global financial hub for the conventional industry.

As Asia's leading fund management center Singapore represents an important potential market for the Islamic finance industry, and the Monetary Authority of Singapore (MAS) has since 2004 been attempting to improve legislation to encourage its development. For a long time Sabana REIT has been not only the biggest but almost the only visible player on the Singaporean skyline — but gradually the Sukuk market in the city has started to show signs of progress.

In 2010 Malaysia's state investment vehicle Khazanah issued a successful SG$1.5 billion (US$1.21 billion) Sukuk in Singapore while homegrown firm City Development also launched a SG$1 billion (US$805.08 million) program; encouraging other players to follow suit both in Singapore and abroad. Sabana REIT subsequently issued the first convertible Sukuk in Singapore in 2012 which met with such a strong response that the firm launched a SG$500 million (US$402.54 million) multi-currency Sukuk program in April this year. Also last year, taking advantage of favorable currency swap rates, Singapore-listed companies First Resources and Golden Agri for example tapped the Malaysian ringgit Sukuk market.

> ***"In Malaysia, Islamic finance is a huge success as Bank Negara Malaysia (the central bank) promotes it through education by setting up INCEIF university"***

Middle East banks based in Singapore have subsequently started offering Islamic window facilities for their corporate clients — this year, Singapore-listed shipping firm Atlantic Navigation, which has operations in the GCC and India, signed an Islamic financing facility with a Singapore-based bank for example. Another Singapore firm, Mustafa Group, is also believed to be considering an Islamic financing facility to fund regional expansion, while Securus Fund, the world's first Shariah compliant data center fund (managed by AEP Investment Management, a subsidiary of Saudi Al Rajhi Group, one of the largest Islamic banks in the world), successfully completed its second round of fund raising earlier this year to double its capital to US$200 million.

Most recently in August this year marine offshore services company Swiber took advantage of the competitive Sukuk pricing to launch a SG$150 million (US$120.76 million) five-year deal which saw strong local demand especially from Brunei and domestic Singaporean buyers. Only the second Singaporean corporate firm to enter the Islamic capital market in Singapore (rather than crossing into Malaysia) the release nevertheless bodes well for the island's hopes of developing into a valid market in its own right.

According to Lim Hng Kiang, the minister for trade and industry and the deputy chairman of MAS, we can also expect further regulatory and tax developments as Singapore continues to work towards encouraging its nascent Islamic industry: "These developments suggest that the growth potential for Islamic finance in Singapore has yet to be fully realized, and that Singapore can play a role in giving growth of cross-border Islamic financing an even greater push. Towards this end, MAS is presently working with other government agencies and the industry to identify and address market issues to further facilitate Islamic finance activities in Singapore. This includes looking into providing greater clarity and certainty in the regulatory and tax treatment to expedite the issuance of Sukuk and other Islamic capital market instruments."

Dim sum Sukuk

Often compared in the same breath as Singapore, Hong Kong is another island state which has recently made strides in accessing the Islamic dollar despite a slow start and a long wait for regulatory approval. Yet compared to Singapore, there are doubts over how far Shariah compliant finance can really progress in the city. Despite being, like Singapore, an international financial hub with a deep pool of expertise and a strong background in funds and capital markets, Hong Kong lacks the relationship that Singapore has with its neighbor Malaysia as well as the proximity to the enormous potential of Indonesia. While it does have potential in terms of investment flows with the Middle East, where the real interest lies is in its position as a gateway for Islamic investors to access the vast market of mainland China.

Hong Kong has been looking to develop its Sukuk market since 2007 but it was

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only in July 2013 that the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Ordinance was gazetted, essentially allowing Sukuk transactions by making changes in the tax treatment to classify the deals as debt arrangements, and thus removing the tax impediments which had previously inhibited the market.

The initial response has been positive and Florence Yip, the financial services tax leader for China and Hong Kong at PwC, told Islamic Finance *news* that: "It will pave the way for Hong Kong to further develop as a major international financial center, catering to Chinese, Asians and western customers. We are developing a platform that will be a good conduit for Islamic finance products which it is hoped will attract Islamic investors."

However, not everyone is so enthusiastic. While recognizing the value of the move, many experts in the region believe that it will have only a limited effect on a market that will always be only a minor part of the overall financial landscape of Hong Kong. Since 2006 just six Sukuk totalling US$5.8 billion have been listed on the Hong Kong Stock Exchange. Compare this to London which, although also trailing behind in terms of developing an Islamic finance market, has seen over 40 Sukuk listed with a total value of more than US$35 billion.

Hong Kong has a limited domestic Muslim investor pool and is facing intense competition from other countries in the region who are both more advanced and more appropriately positioned. Davide Barzilai, a partner and the head of the Islamic finance practice at Norton Rose Fulbright in Hong Kong, confirmed that: "I think it's a very positive move, but I don't think it's going to lead to an overnight rush of new Islamic finance business in the Sukuk market in Hong Kong."

Australian over-optimism

In comparison, high hopes have long been held for Australia which despite a tiny Muslim population has seen a growing interest in Islamic finance over the past few years. The current regulatory environment already allows Shariah compliant funds and several have already been launched: most notably by leading Australian fund manager Crescent Wealth, which recently launched the first Islamic pension fund in the country which it predicts could grow to US$22 billion by 2020.

In addition, the 2010 Johnson Report recommending policy options to improve Australia's position as a global financial center made several specific notes regarding Islamic finance: including a recommendation that the Board of Taxation updated the tax treatment for Shariah compliant products, and a recommendation for the identification and removal of regulatory barriers which may be preventing the development of Islamic finance in the country.

> **"*The country that is currently showing the biggest push in the region is undoubtedly the Philippines*"**

However, with less than 500,000 Muslims in Australia making up just 2.2% of the population, as with Hong Kong, opportunities will always be limited. While Australia might be keen to tap the Islamic finance market as a means of furthering its relationship with strong Asian economies and encouraging the entrance of attractive Islamic liquidity into its investment channels, like Hong Kong it will struggle to compete with other, better-suited and more attractive jurisdictions. As Tay warned: "If it is as simple as opening a bank and giving [it] an Islamic branding and [that is how you] hope to be successful in the world of Islamic finance, then these regulators really do not know the industry."

Thai horizons

Thailand is a more optimistic prospect for the industry, and both the state regulators and the country's financial institutions have been looking into Islamic finance for some time, especially regarding the prospect of attracting Islamic funding for major upcoming infrastructure projects including an upgrade of Bangkok's public transport system and an airport expansion. Islamic banking assets in Thailand currently stand at around US$4.5 billion.

The country only has one fully-fledged Islamic bank that is the state-owned Islamic Bank of Thailand (iBank). However, concerns have been raised over its financial stability, with iBank reporting non-performing financing of THB39 billion (US$1.24 billion) in earlier this year — or 20% of its total lending — while in May the government had to extend a THB6 billion (US$191.1 million) loan to shore up the bank's shaky finances.

Nevertheless Thailand represents a much more positive market for Islamic finance, with a Muslim population of around 9.5 million many of whom are underbanked. Its close proximity and cultural links with Malaysia also lend themselves to encouraging the development of the industry, and the country in May 2011 passed legislation to level the playing field in order to facilitate Sukuk. However so far little has been forthcoming, with only a handful of foreign-currency issuances from Thai companies (including a small Sukuk launch from leading energy firm PTT in Malaysia in 2010).

No sovereign Sukuk has yet been forthcoming despite longstanding rumors, but in June this year iBank announced that it would issue a THB5 billion (US$159.25 million) Sukuk in order to increase its capital — the first Sukuk launch in the country. The bank also plans to establish a presence in the Middle East over the next three years, as well as increasing its number of domestic branches. According to Dr Rak Vorrakitpokatorn, its senior executive vice-president, iBank has seen a 90% growth rate since its establishment, and is hopeful of further growth in other areas – for example it last year launched an Islamic leasing subsidiary, Amanah Leasing. However with just one player in the market and a low level of awareness of the opportunities available, it looks as if it will take some time before Thailand manages – if ever – to find its footing as a viable player in the Asian Islamic landscape.

Land of the rising sun

Like Thailand, Japan is another pretender which has long trumpeted its

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commitment to Islamic finance without actually making any real investment or commitment to the industry – and, consequently, seeing little in return. Although the Japan Bank for International Cooperation has pioneered local research into the sector, the banking laws were only updated in 2008 to allow Japanese banks to engage in Islamic finance transactions. And although banks such as Bank of Tokyo-Mitsubishi UFJ have been active in markets such as Malaysia and the Middle East, domestic activity has remained very limited.

Until 2010 only a handful of deals were seen in the market. In June 2010 despite an unfavourable tax and regulatory environment Japanese bank Nomura issued a US$100 million Sukuk Ijarah on the Malaysian exchange, along with the launch of a US$70 million commodity Murabahah facility, demonstrating that despite the difficulties in the domestic market, firms could still tap Islamic opportunities abroad. Corporates such as AEON and Toyota have already tapped foreign markets for Sukuk, and Japan has finally recognized this. The recent Asset Liquidation Amendment Act took the first step in opening up Japan to non-resident Islamic investors and it is hoped will provided not only the much-needed push for Islamic finance in Japan but also provide the country's own stagnant economy with a shot in the arm from Islamic investment.

Philippines: The new frontier

However the country that is currently showing the biggest push in the region is undoubtedly the Philippines, and it is here that the industry is looking for the next big thing. It was reported in September that the central bank has launched a number of key initiatives to drive Islamic finance forward: including a new draft Islamic banking law and a request to amend its charter. The move follows a spate of violence last year between Muslim separatists and the ethnic majority which killed over 100,000, and was just the latest bout in a 40-year conflict. However following the signature of a peace deal in October 2012 the Philippine government has made inclusion of the Muslim minority a major priority, meaning that we might soon be seeing big things come from this small country.

Currently only one Islamic bank, Al Amanah, is currently active; which is in the process of being privatized by the Development Bank of the Philippines after years of financial struggles. However the central bank plans to encourage foreign investment and participation as well as to develop its own Sukuk market through legislative changes to encourage issuance. The central bank is also working with supranational agencies such as the IFSB (of which it is an associate member) and the ADB to develop its domestic industry.

The Philippine economy is currently one of the region's top performers, with a growth rate topping 7% for four straight quarters and beating almost every other country in the region despite the slight regional slowdown in Southeast Asia. The country was upgraded to investment grade this year by both Fitch Ratings and S&P, and is predicted to be among the top five fastest-growing global economies of 2014 by Bloomberg with expected growth rates continuing at around 6-7%. In addition, the bulk of this stimulus comes from the domestic economy, in which the 9% Muslim population plays a significant part.

A senior banker based in Singapore confirmed that: "The Philippines will be the most likely to enter the Islamic finance industry over the next few years as the regulators are pushing them as a part of their nation's peace program," and suggested that "if they can continue to nurture and cultivate the sector, they could be the next break-out country in terms of Islamic finance in the region."

This article was first published in the October issue of IFN Supplements.

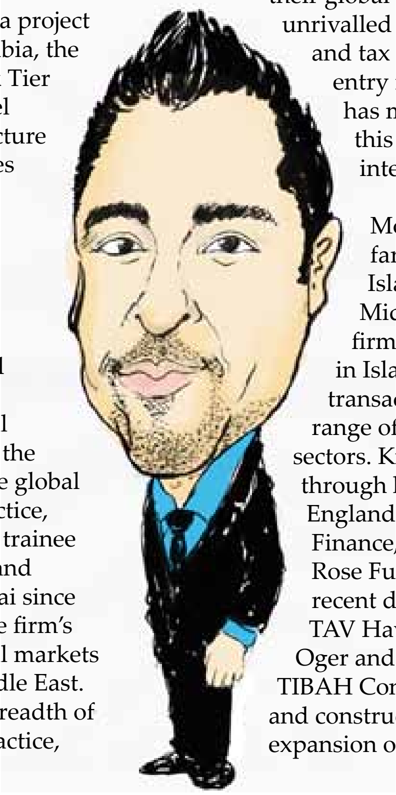
The IFN Law Poll 2013

Following June's comprehensive voting procedure and an exhaustive due diligence process, Islamic Finance *news* is delighted to reveal the highly anticipated results of our fifth IFN Law Poll — in which we see some of the best known firms build on past success while some surprise entrants also emerge with newer players forging their own reputations in the industry. Read on to learn this year's results and discover who the industry believes are at the top of their game in 2013…

A winning formula

Despite some stiff competition, this year was indisputably dominated by Allen & Overy, who achieved success in four out of the 16 categories including Best Overall Law Firm, Best Law Firm in Banking & Capital Markets, Best Law Firm for Insolvency & Restructuring and Best Law Firm for Mergers & Acquisitions. In addition, the firm also came runners up in a further four sectors including Asset & Fund Management Law, Corporate & Commercial Law, Private Equity and Takaful & re-Takaful. Its breadth of success demonstrates both the firm's far-reaching and comprehensive expertise and its reputation for innovation and cross-border integration, culminating in its achievement of the top accolade in 2013 for the third year running.

The firm has recently advised on a number of ground-breaking transactions including the Global Investment House restructuring, the International Islamic Liquidity Management Corporation (IILM) short-term Sukuk program, the Sadara project Sukuk in Saudi Arabia, the Dubai Islamic Bank Tier 1 Sukuk and a novel Islamic Sukuk structure for Emirates Airlines involving rights to travel.



Anzal Mohammed (caricature right), a partner at Allen & Overy and the head of both the firm's international capital markets practice in the Middle East and the global Islamic finance practice, joined the firm as a trainee in London in 1997 and has worked in Dubai since 2006 developing the firm's international capital markets practice in the Middle East. He points out the breadth of the firm's global practice, which spans the Middle East, London, Hong Kong and Singapore and covers practice areas including capital markets, project finance, banking, structured finance, funds and taxation. "Looking forward, we are working with a number of sovereigns at present on their debut Islamic transactions, more restructurings and project financings, Shariah compliant corporate hybrid deals and working with debut issuers in Europe and Asia," he told Islamic Finance *news*.

International expertise

Another firm which saw considerable success this year was Norton Rose Fulbright, which operates an extensive global Islamic finance practice advising on transactions across Europe, the US, Canada, Latin America, Asia, Australia, Africa, the Middle East and Central Asia. Voted by its peers as Best Law Firm for Corporate & Commercial Law, Best Cross-Border Law Firm and Best Law Firm for Takaful & re-Takaful, as well as runner-up in the Tax category, Norton Rose Fulbright this year flexed their global muscle and demonstrated unrivalled proficiency in corporate and tax matters. The firm was a new entry in all of these categories, and has made impressive progress this year in developing its international Islamic practice.

Mohammed Paracha (caricature far right), the head of the firm's Islamic finance practice in the Middle East, has been with the firm since 1999 and specializes in Islamic financial and banking transactions within a broad range of asset classes and industry sectors. Known internationally through his work on the Bank of England's Committee on Islamic Finance, he has led some of Norton Rose Fulbright's most high profile recent deals, including advising TAV Havalimanlari Holding, Saudi Oger and Al Rajhi Holdings (the TIBAH Consortium) on the financing and construction of the US$1.2 billion expansion of Madinah Airport in the Kingdom of Saudi Arabia. "This was the first full PPP (Public Private Partnership) project in Saudi Arabia and one of the largest infrastructure projects in the Middle East in 2012," he commented.

Asset management excellence

SJ Berwin, another new winner for 2013, took the award for Best Law Firm for Asset & Fund Management. The firm has deep roots in private equity and asset management, and has advised clients throughout Europe, the Middle East, Africa and Asia on a range of Islamic finance, private equity and real estate transactions. Its Middle East office has established itself as a key international player over the past few years, and its Islamic investment funds team has developed into a market leader for investment fund products.

With a specialist team led from Dubai, the firm has an impressive list of clients in the Islamic finance industry including the MENA Infrastructure Fund, Instrata Capital, TVM Capital, Evans Randall, Qatar First Investment Bank, and CIFG Makeen. Bilkis Ismael, an international tax expert and Islamic finance specialist, specializes in the structuring and formation of funds and investment schemes for institutional and private investors. A proficient tax lawyer and a member of the Legal Task Force of the MENA Private Equity Association, with

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experience as a barrister at HMRC in the UK and as a tax consultant with KPMG before moving to SJ Berwin, Bilkis also provides an inspirational example for women seeking to enter the Islamic legal industry.

Force of nature

Vinson & Elkins, one of the best-known firms in the industry, this year took the award for Best Law Firm for Energy & Natural Resources as well as coming second for Structured Finance. The firm has a commitment to the energy industry spanning almost a century, with a regional Middle East practice that covers oil and gas, LNG, petrochemical, power, renewable and alternative energy, climate change, water, minerals and mining.

> **"Ayman stands out as one of the most consistently valuable resources in the Islamic finance industry and has been one of the key contributors to Vinson & Elkins' success"**

Islamic Finance *news* recognizes Vinson & Elkins' outstanding achievements in the influential and rapidly-growing natural resources sector, and applauds its achievements in developing and encouraging Islamic structures within the energy industry.

The firm has also embarked upon a process of expansion over the past few years, poaching a number of key staff from rival law firms including Norton Rose Fulbright, Allen & Overy and Herbert Smith as it ramps up its project finance and infrastructure practice in the Middle East, and we look forward to exciting things from them in the coming year as it develops a new team and continues to push the boundaries of innovation.

Ayman Khaleq (caricature top left), previously the managing director of Vinson & Elkins' Middle East practice, is one of the best-known lawyers in the sector. Recently appointed by the IMF as an expert in debt capital markets and a regular contributor to Islamic Finance *news*, Ayman stands out as one of the most consistently valuable resources in the Islamic finance industry and has been one of the key contributors to Vinson & Elkins' success.

With over 15 years of experience advising foreign investors in the Middle East as well as working with regional governments on privatization and deregulation matters, he is one of the leading global experts on Islamic structured finance and investment products as well as private equity, real estate and the innovation of Shariah compliant infrastructure for international clients.

In July this year Ayman took the significant decision to leave Vinson & Elkins after almost 10 years with the firm, to head up the establishment of the Middle East practice of Morgan, Lewis & Bockius in Dubai. He hopes in his new role to integrate the needs of his clients into the structure of the new legal service, and comments that he also plans to: "Further pursue my teaching, advisory and pro bono initiatives involving The George Washington University Law School, the International Monetary Fund, MENA Private Equity Association, and the Middle East's start-up and venture capital industries." Islamic Finance *news* wishes Ayman all the best with his new role, and we look forward to Morgan Lewis' contribution to the already thriving legal landscape of the Middle East.

Structured finance

The top award for Best Law Firm for Structured Finance went to Zaid Ibrahim & Co (ZICO), Malaysia's largest law firm and one of the only non-GCC firms to make the list in 2013. With this year's success following on from its 2012 win for Insolvency & Resructuring, ZICO has built an impressive regional reputation with participation in some of Asia's most prominent private and public sector deals.

Madzlan Mohamad Hussain (caricature bottom right), a partner and the head of the Islamic financial services practice for the firm, is one of Malaysia's most influential Islamic lawyers with engagements including advising the Malaysian government on its Islamic finance prudential framework; and advising financial institutions on the legal and regulatory compliance for their Islamic finance operations. Between 2004-10 he worked with the IFSB to develop the prudential framework for corporate governance practices for all segments of Islamic financial services, and was instrumental in spearheading the IFSB's initiatives in addressing legal issues in Islamic finance. He is currently helping Islamic financial institutions and Takaful firms to comply with the new Malaysian Islamic Financial Services Act 2013, as well as advising a number of central banks on introducing Islamic banking law.

A global perspective

Maples & Calder was voted the Best Law Firm for Offshore Finance for the second year running, reflecting its expertise as the world's leading offshore law firm. The first offshore law firm to open an

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office in the Middle East, Maples & Calder has developed a reputation for innovation and cross-border integration: including advising on the largest Sukuk to date, the first UK Sukuk issuance, the first Sukuk to be listed in the Cayman Islands and on the Dubai Stock Exchange, and the largest Shariah compliant private equity fund on record.

Tahir Jawed (caricature right), the managing partner of Maples & Calder, joined the firm in 2000 in the Cayman Islands and moved to Dubai in 2005 to establish the Dubai office. Recent notable transactions include the securitization of Salik receivables in Dubai and the YAAS Sukuk transaction in Kuwait, which won the Islamic Finance *news* Sukuk deal of the year, 2012.

Private practice

In a neck and neck race, King & Spalding nabbed the award for Best Private Equity Law Firm from Allen & Overy – stealing the crown from the 2012 winner Simmons & Simmons. King & Spalding are advisors to sponsors of private equity funds valued in excess of US$5 billion and domiciled in Saudi Arabia, Bahrain, the UAE, the Cayman Islands, Luxembourg, Jersey and other offshore jurisdictions for equity investments in Europe, the Middle East, Asia and the US. The firm has a strong US presence, and has acted as acquisition and finance counsel on over 25 Shariah compliant private equity acquisitions, making it a global leader in the sector. With its size and strength of expertise enabling to cover multiple global markets, King & Spalding is an acknowledged trailblazer for international Islamic investment transactions.

The firm has been covering Islamic finance transactions since the early 1980s and in 1995 was the first law firm to establish a dedicated Islamic finance and investment practice. One of the largest players in the Islamic legal sector, the group has over 30 Islamic finance professionals covering transactions in the Middle East, Europe and the US. Jawad Ali (caricature bottom left), the managing partner of its Middle East offices and the deputy global head of its Islamic finance practice, has been with the firm for 14 years; starting in New York before moving to London and then Dubai. Focusing on Islamic real estate, private equity, M&A and investment fund transactions, he acts as an international counsel as well as working in dispute resolution. "I am currently working on three large real estate development matters, one in the US, one in the UK and one in Saudi Arabia," he told Islamic Finance *news*. "I am also working on two large telecom M&A matters, both in Asia, as well as a Turkish mining deal."

Disputing the title

This year the title of Best Law Firm for Litigation and Dispute Resolution was snatched from King & Spalding by Al Tamimi & Co, a Dubai-based firm at the forefront of the Islamic dispute resolution and a driving force in regional banking litigation and enforcement.

The team is led by managing partner Husam Hourani, who has over 17 years' experience in the field and is a member of both the NASDAQ Dubai Listing Committee and the DIFCA Legislative Committee. One of the most knowledgeable lawyers in the industry and with a wealth of local knowledge and experience, Husam combines exceptional understanding of both the Islamic and conventional fields in order to provide unique expertise to a wide range of clients across the industry.

Infrastructure excitement

In the rapidly growing area of infrastructure finance, Latham & Watkins have cemented its success in the sector by winning Best Law Firm for Project & Infrastructure Finance for the third year running.

Craig Nethercott, a partner in the project finance group based in London and Dubai as well as the global head of Islamic finance, focuses on project finance and development in the energy and infrastructure sector and believes that this is a crucial area of growth for the Islamic industry.

"The Sukuk and bond market in the Middle East continues to grow and we have been very active on a range of Sukuk and bond issuances throughout the credit spectrum. We recently completed a significant polysilicon Islamic project financing in Saudi Arabia and we are excited about the prospects for Islamic financing in the renewables sector in the coming years," he told Islamic Finance *news*. "The telecoms sector in the region is also seeing significant investment in infrastructure and it is exciting to see the export credit agencies showing a willingness to participate in these transactions based upon Islamic structures."

"*The Sukuk and bond market in the Middle East continues to grow and we have been very active on a range of Sukuk and bond issuances throughout the credit spectrum*"

Property push

In another key area for Islamic financial law, this year Allen & Gledhill stole the

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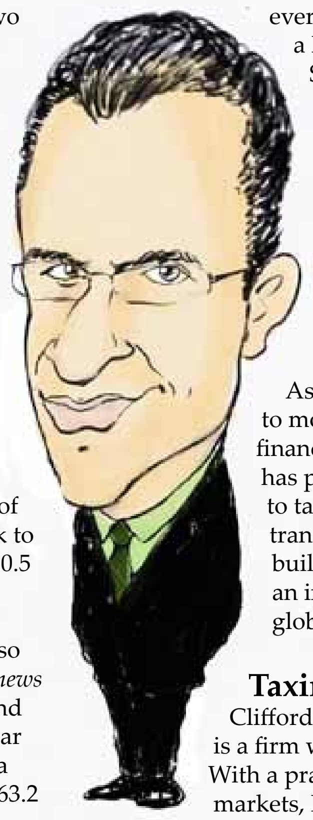
Results		
Category	**Winner**	**Runner-Up**
Overall	Allen & Overy	Clifford Chance
Asset & Fund Management	SJ Berwin	Allen & Overy
Banking & Capital Markets	Allen & Overy	Latham & Watkins
Corporate & Commercial	Norton Rose Fulbright	Allen & Overy
Cross Border	Norton Rose Fulbright	Clifford Chance
Energy & Natural Resources	Vinson & Elkins	Baker McKenzie
Insolvency & Restructuring	Allen & Overy	Zaid Ibrahim & Co
Litigation & Dispute Resolution	Al Tamimi & Co	Baspinar & Partners
Mergers & Acquisitions	Allen & Overy	Zaid Ibrahim & Co
Offshore Finance	Maples & Calder	Conyers, Dill & Pearman
Private Equity	King & Spalding	Allen & Overy
Project & Infrastructure Finance	Latham & Watkins	Azmi & Associates
Real Estate & Property	Allen & Gledhill	Clifford Chance
Structured Finance	Zaid Ibrahim & Co	Vinson & Elkins
Takaful & reTakaful	Norton Rose Fulbright	Allen & Overy
Tax	Clifford Chance	Norton Rose Fulbright

award for Best Law Firm for Real & Estate & Property from 2012 winners Al Tamimi & Co, with Clifford Chance snapping at its heels in one of the most hotly contested categories. Yeo Wico, a partner with Allan & Gledhill in Singapore with over two decades of corporate experience, has led the Islamic finance practice on some of the biggest property Sukuk deals in the industry. Wico has been instrumental in developing innovative and influential structures that have changed the face of Islamic real estate transactions: including the first Sukuk issuance in Singapore, the first Sukuk program, the first statutory board issuance of Sukuk and the first Sukuk to cross SG$1 billion (US$790.5 million).



In March 2013 the firm also won the Islamic Finance *news* Equity Deal of the Year and Real Estate Deal of the Year for its work on the Sabana REIT SG$80 million (US$63.2 million) 4.5% convertible Sukuk, one of the most innovative structures ever seen in the Shariah compliant space; which used a combination of Murabahah, Wakalah and Ijarah in a landmark transaction which was the first Sukuk ever convertible into units in a REIT, the first convertible Sukuk issuance in Singapore and the first Sukuk issued based on Jurong Town Corporation properties. The firm also recently advised CIMB Bank and Sabana on the establishment of a SG$500 million (US$395.2 million) multicurrency Islamic trust certificates program.

As Singapore gears itself up to move further into the Islamic finance space, Allan & Gledhill has positioned itself perfectly to take advantage of the state's transformation and looks set to build on its past success to become an influential player in the wider global market.

Taxing matters

Clifford Chance, on the other hand, is a firm which needs no introduction. With a practice covering Islamic capital markets, M&A, real estate, funds and Takaful, this year the group continued its 2012 success with the award for Best Law Firm for Tax.

One of the largest international law firms and with a long-established and highly respected Islamic practice headed by partner Qudeer Latif (caricature), Clifford Chance is not only one of the pillars of the Islamic finance legal industry but one of its greatest driving forces. Over the past two years the firm has launched a major push in its Islamic practice; expanding into new sectors and markets and opening offices in Doha, Casablanca and Istanbul. In March this year it received approval from the Saudi Ministry of Commerce and Industry to set up a mixed Saudi and foreign lawyer partnership, which is expected to launch in January 2014, making it the first international law firm to formally establish itself in Saudi Arabia.

Congratulations to all

Islamic Finance *news* would like to extend its sincerest congratulations to all this year's winners, and our thanks to all who took part in making this the most comprehensive, independent and unbiased survey in the industry.

This article was first published in the July issue of IFN Supplements.