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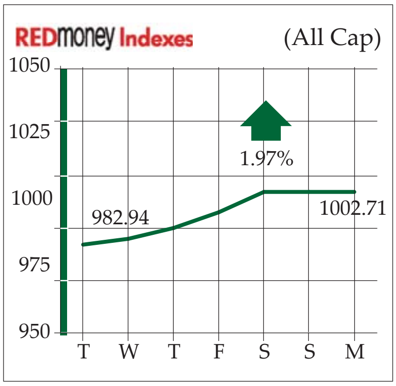

In this issue

Cover Story

The first day of the IFN Asia Forum saw industry players breaking from the norm and calling for a shift from the current suite of debt-based products into more equity-linked offerings. The first session, a panel discussion involving Malaysia's most prominent dealmakers — Mohd Safri Shahul Hamid, the deputy CEO of CIMB Islamic; Rafe Haneef, the CEO of HSBC Amanah; Raja Teh Maimunah, the managing director and CEO of Hong Leong Islamic Bank; and Wasim Akhtar Saifi, the global head of Islamic banking, consumer banking and CEO of Standard Chartered Saadiq Malaysia, was brimming with new insight, as the bankers discussed new ways to capitalize on Asia's position as an emerging market and the recent influx of local currency and foreign currency-denominated deals in Malaysia.

Among the suggestions during the session were the inclusion of China in the development of the global Islamic capital market space by illustrating the attractiveness of the premiums paid on Sukuk, as Chinese corporates are currently closing deals at an average of 300bps above the Sukuk market. The recent enactment of Hong Kong's securitization law to include Sukuk is said to act as a conduit between the Chinese market and the Islamic capital market, while initiatives by the Malaysian International Islamic Financial Center (MIFC) were commended as a salient move to promote Islamic banking on a global scale. Sukuk structures were also said to be taking on new forms, as the market begins to venture more into the equity space, with Khazanah Nasional's recent exchangeable Sukuk cited as an example.

Jawad Ali, the managing partner of the Middle East Offices at King & Spalding was candid in his presentation as he said that there are very few transactions at present which capture the essence of profit and risk sharing. He also said that the industry has to move beyond the current structures which mirror conventional offerings and at present are not in line with the Maqasid Al Shariah, or the ideals and objectives of Islamic law which rightfully should be the essence of every Islamic financial transaction.

During the second panel session entitled "Islamic capital markets and Sukuk: Innovation in regulations and structuring to support growth", Ahsan Ali, the head of Islamic origination at Standard Chartered said that Sukuk has come a long way from being just a corporate funding instrument using

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FRANKLIN TEMPLETON INVESTMENTS

Continued from page 1

fixed-income instruments such as Ijarah or Mudarabah to being a means to fulfil Basel III requirements for Tier-1 capital.

> ***"Corporate-based Sukuk has also moved on to become project-based Sukuk, which is more in line with equity and is also cheaper than quasi-Sukuk"***

Ahsan also added that the market is moving towards more risk sharing and equity models and investors are increasingly encountering risk sharing equity models in the current environment, with more hybrid and equity Sukuk structures being introduced. Recent Sukuk issuances by Saudi Arabia's Almarai and Abu Dhabi Islamic Bank were cited as prime examples of hybrid perpetual Sukuk. He said: "Corporate-based Sukuk has also moved on to become project-based Sukuk, which is more in line with equity and is also cheaper than quasi-Sukuk which are relatively expensive. This also translates to relatively higher returns. "

On the continued development of the Islamic capital markets in Asia and its sustainability, the panelists, comprising

Ahsan Ali; Alhami Mohd Abdan, the head of international finance and capital markets at OCBC Al-Amin; Hitesh Asarpota, the director of capital markets and structured finance at Emirates NBD Capital; and Neil Miller, the global head of Islamic finance at Linklaters, agreed that markets with developed Islamic finance regulations are well-placed to meet the complex structuring requirements of Shariah compliant instruments. Reviewing the recent regulatory updates and central bank guidelines affecting Islamic finance transactions in Asia, the panelists pointed out that the recent Islamic Financial Services Act 2013 by the Malaysian regulators is a step forward in setting a precedent for other jurisdictions aiming to develop an Islamic finance market.

Asarpota said that the development of the Islamic capital market together with government support is crucial for the Sukuk market to develop, while Miller voiced his concern about the varying degrees of regulatory support throughout different markets around the globe, and how this might dampen the prospects for Sukuk. "For cross-border money to flow, it might be important to have consistent Islamic finance regulations across borders," he said.

Other considerations that have to be taken into account in developing a sustainable Islamic finance market include human capital development driven by the industry, innovation and development in the debt capital markets, and the possibility of including SMEs into the greater scheme of things for the development of the Islamic capital markets. Responding to this however, Alhami said that there is somewhat of a mismatch between supporting SMEs via Sukuk as the Islamic capital markets is primarily driven by returns, and the SME market does not necessarily aim at getting good returns.

The Country Roundtable brought together a league of senior executive management professionals from key Asian emerging markets including: Harith Karun, the CEO of Maldives Islamic Bank; Krishan Thilakaratne, the CEO of Sri Lanka's Al Falaah, Lanka Orix Finance; Norfadelizan Abdul Rahman, the president director of Maybank Syariah Indonesia; Sabri Ulus, the head of treasury and markets of Bank Islamic Brunei Darussalam; Dr Serdar Sumer, the executive vice-president of the Capital Markets Group at Turkey's Aktif Bank; and moderator Ahmed A Khalid, the regional head (Asia) of the Islamic Corporation for the Development of the Private Sector.

Despite belonging to different jurisdictions with unique financial environments, a common theme was raised by each panellist, which was: more work needs, and can, be done to further propel the industry forward, be it in relatively more "mature" markets with strong government support such

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Continued from page 3

as Brunei, or nascent markets such as Turkey and Sri Lanka or even smaller markets such as the Maldives where opportunities are limited but the panelists remain optimistic of its market outlook.

Another issue raised during the session was the dearth of corporate Sukuk issuances which, the panelists agreed, would help push and expand the Islamic financial base in their respective jurisdictions; calling for more active participation from the private sector.

"The problem is on the supply side, leading to unmet demands. Investment banks need to motivate more corporates to enter the Sukuk market," said Dr Serdar. Thilakaratne concurred, adding that Sri Lanka needs large institutions to make the first move in the market especially since financial markets are complex and that they struggle to achieve large scale.

During the fifth session on real life issues and challenges facing Islamic issuers, key concerns such as standardization in terms of bureaucracy and regulations on a regional and global level remain the same and need to be addressed. As for education, Dr Mohammad Omar Farooq, the head of the Center for Islamic Finance, at the Bahrain Institute of Banking and Finance said that there should be a significant increase of education among Sukuk participants, and building trust and confidence in the industry are one of the few things that need to be improved on. Farmida Bi, a partner at Norton Rose Fullbright, pointed out that there are very few issuances originating from corporations and this is a phase that needs to be addressed to deepen the Islamic finance market.

In terms of human capital, David E Rich, vice president of depositary receipt services for Asia Pacific at Citi and Bishr Shiblaq, head of the Arendt & Medernach office in Dubai agreed with Farmida with regards to the need to balance fundamental knowledge in conventional finance with Islamic finance. She said that a "day-to-day" familiarity in Islamic finance products is needed for effective implementation. Dr Farooq also stressed on the importance of having "internationally portable" certifications, and that education systems and syllabuses between universities should not be conducted on a competitive basis.

During the Deal Roundtable, it was said that recent issuances have demonstrated the use of hybrid Sukuk which combines two or more structures. There is also a rising demand for funds to finance infrastructure projects to widen one's investor base and to address company ratios. Chung Chee Leong, the president and CEO of Cagamas, said that Sukuk structures should continuously be made more compliant in meeting market requirements in order to remove concerns which arise from Sukukholders and potential investors. Mohd Izani Ghani, the CEO of Khazanah Nasional, called for more infra-financing among issuers for more funding and urged bankers to come up with more innovative structures for Sukuk issuances.

DEALS

Jimah Energy Ventures gains approval

MALAYSIA: The holders of Jimah Energy Ventures' RM4.85 billion (US$1.53 billion) Istisnah medium-term notes issuance facility have approved the issuer's proposal to partially dispose of the land leased by Jalur Jernih to Jimah Energy Ventures, and which lease was charged as a security for the facility.

DanaInfra's sophomore issuance

MALAYSIA: Infrastructure financing entity DanaInfra Nasional, a wholly-owned subsidiary of the Ministry of Finance, is set to issue a second retail Sukuk worth up to RM100 million (US$31.63 million).

With a tenor of 15 years and a minimum indicative profit rate of 4.5%, the Sukuk is scheduled to launch on the 24th October and to be listed on the 28th November. Proceeds from the offering will be used to fund the Sungai Buloh-Kajang mass rapit transit project.

AFRICA

Omdurman National's new software solution

SUDAN: Shariah compliant lender Omdurman National Bank has chosen to incorporate the 'ICS BANKS® Islamic' banking platform provided by ICS Financial Systems.

GLOBAL

CIEBF scholarship

GLOBAL: The Center for Islamic Economics, Banking and Finance (CIEBF) at the Sarajevo School of Economics and Business has announced that it will award two scholarships worth EUR3,475 (US$4,755) or 50% of total tuition fees each to international students who are pursuing a masters program in Islamic banking for the academic year 2013-14. Applications will remain open until the 25th October.

MIDDLE EAST

GITEX perks

UAE: In conjunction with the Gulf Information Technology Exhibition (GITEX), the biggest IT and electronic trade show in the Middle East, Emirates Islamic Bank has partnered with electronic goods distributer Sharaf DG to offer their customers a 10% cash back on purchases made using the bank's cards during the sale.

Saudi stocks up

SAUDI ARABIA: The Tadawul All-Share Index recorded a 1.88% gain on the first day of its opening after the Eid Al Adha holidays to close at 8,133.24.

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Khazanah Nasional concludes benchmark US$483.9 million convertible Sukuk issuance

MALAYSIA: The investment arm of the Malaysian government, Khazanah Nasional, successfully completed its SG$600 million (US$483.9 million) convertible Sukuk issuance on the 18th October. According to the deal, the certificates are exchangeable into ordinary shares of IHH Healthcare (IHH), one of the world's largest private healthcare providers.

The managing director of Khazanah, Azman Hj Mokhtar said: "This transaction has been executed at a very competitive price against the uncertain market backdrop, setting a benchmark for Sukuk issuances with an order book that covered 5.5 times of the initial issue size. This proves the market's strong faith and confidence in the quality of the Sukuk, the underlying equity story of IHH and Khazanah's credit." The Singapore-dollar denominated deal was auctioned at a commendable price guidance of -0.25% yield to its maturity date and a 17% exchange premium.

The positive reception by investors led the transaction to be increased from an initial SG$500 million (US$403.25 million) to SG$600 million (US$483.9 million).

As the first Sukuk to offer exposure to the healthcare industry, the securities carry a tenor of five years, along with an investor put option exercisable at the end of the third year. Upon implementation of the exchange rights, Sukukholders will initially be entitled to receive an aggregate of 311.4 million ordinary shares of IHH, which represent approximately 3.8% of IHH's current issued and paid up share capital. The issuance is said to be in line with Khazanah's fund-raising strategies and its long-term commitment towards progressive divestment of its investments.

Listed on the Singapore Exchange, Labuan International Financial Exchange and Bursa Malaysia, the Sukuk also afford a natural currency hedge for Khazanah towards its Singapore-related investments. The transaction was carried out through an SPV, Indah Capital, incorporated in Labuan, Malaysia's offshore financial center. CIMB Bank, Deutsche Bank and Standard Chartered Bank are the joint bookrunners and lead managers for the issuance.

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Aside from the banking and financial services, all other sectors extended gains; with the petrochemical industry the top performing sector. Al Rajhi Bank became the major decliner of the exchange with a 1.93% loss.

RESULTS

Sabana Shariah REIT

SINGAPORE: Sabana Shariah REIT has announced a 4.6% year-on-year growth in net property income to SG$20 million (US$16.13 million) for the third quarter while distributable income accrued by 3.7% to SG$15.6 million (US$12.58 million) with distributions per unit increasing by 1.7% to SG$2.38 (US$1.92).

Boubyan Bank

KUWAIT: Shariah compliant Boubyan Bank has announced a 22% increase in net profit to KWD9.32 million (US$32.93 million) in the third quarter against the corresponding period last year. Total assets marked a 17% growth to reach KWD2.1 billion (US$7.42 billion).

Bank Sohar

OMAN: Bank Sohar reported a consolidated net profit of OMR18.11 million (US$46.9 million) for the nine months ended the 30th September, marking a 15.19% year-on-year growth.

Total earnings for its Islamic banking window reached OMR454,000 (US$1.17 million) while total assets accrued by 3.7% to stand at OMR1.85 billion (US$4.79 billion).

Qatar Islamic Bank

QATAR: Qatar Islamic Bank's third quarter net profit experienced a 12.4% decline to QAR345.1 million (US$94.72 million) as compared to the corresponding period last year. Total assets for the nine months ended the 30th September saw an 8.5% year-on-year growth to QAR73 billion (US$20.04 billion).

TAKAFUL

Best Re contests order

GLOBAL: Shariah compliant reinsurance operator Best Re has submitted an appeal to the Court of Appeal with regards to the winding-up order by the Labuan High Court filed by Korea-based Hanwha General Insurance Company.

Best Re argues that the firm is solvent with net assets exceeding US$90 million, as proven by its audited financial statements for the period ended the 31st December 2012.

RATINGS

Pinnacle Tower Sukuk rated

MALAYSIA: Pinnacle Tower's RM50 million (US$15.82 million) Islamic commercial papers and RM400 million (US$126.53 million) Islamic medium-term notes program have been rated 'MARC-1IS' and 'AAAIS' respectively by MARC with a stable outlook. The firm is an SPV established by telecommunications infrastructure provider Sacofa.

Regulatory perspectives on the development of Islamic financial markets: Sustaining growth with stability

Keynote address by JASEEM AHMED, the secretary-general of the Islamic Financial Services Board at the Islamic Finance *news* Asia Forum Issuers Day. Jaseem highlights the importance of a new framework for the banking and finance sector following the global financial crisis, the forging of new partnerships for the globalization of Islamic finance and the need to develop short to medium-term instruments to overcome liquidity management issues in the industry.

I. Islamic finance in the post-2015 global environment: Financing for development

The rapid expansion of Islamic finance and its continuing stability over the course of the global financial crisis has highlighted its intrinsic strengths while also serving to underline its potential to meet the global goals of economic and social development for both Muslims and non-Muslims alike.

With the deadline for the Millennium Development Goals approaching in 2015, the international community is focusing on the development of a new framework of financing to pursue the goals of sustainable growth and development. This was a key focus of discussion at the IMF and World Bank Annual Meetings that were concluded in Washington DC last week.

There, it was stressed that the importance of a new framework for the post-2015 period is made more urgent by the global crisis, which has generated its own financing needs while serving to reduce the capabilities of traditional donors to participate in development financing.

II. Raising the international profile of Islamic finance: Dialogue with global partners

In this context, the global policy and standard-setting community is increasingly recognizing the emergence of Islamic finance — and its significance as an alternative source of financing for broad-based, inclusive economic and social development.

Reflecting these developments, the World Bank has just announced the establishment of a center for research in Islamic finance in Istanbul. The IDB and other Islamic finance institutions are forging partnerships with international agencies that are contributing towards a common understanding of Islamic finance's place in the global financial system. And many of you will have seen the video messages on the IFSB website, in which both the managing director of the IMF, and the head of the Bank for International Settlements acknowledge the importance of what Islamic finance has to offer to the world.

To add to this, at the Islamic Financial Services Board (IFSB), the dialogue and productive collaboration launched by my predecessor — Professor Rifaat, with the global agencies has now been further deepened, and widened, in scope.

Through the IFSB's participation in the Basel Consultative Group (BCG), we have sought to shape the global regulatory reforms, especially in relation to their likely impact on Islamic financial institutions. The Basel Committee's Revised Core Principles of 2012, and its final policy paper on the Liquidity Coverage Ration (LCR) of January 2013 both recognize that Islamic banks are an active part of the global financial community and that the new regulatory framework needs to reflect their specific concerns. This is an ongoing dialogue to which the IFSB has contributed through a Note on Liquidity to the BCBS and subsequent discussions on this and related subjects.

Subsequently, the BCG has launched the preparation of a draft paper on the impact of the Basel reforms on emerging markets and small economies. The review of the latest draft took place last week in Washington at a meeting of the BCG, and the paper was further discussed at a special seminar organized by the World Bank and the Basel Committee at which the principal speakers were the chairman of BCBS and the secretary-general of the Financial Stability Board. The IFSB had the opportunity, at both these meetings, to raise the issues faced by the institutions offering Islamic financial services (IIFS), and we will continue to bring our latest findings to the Basel Committee

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regarding the specificities of the impact of the Basel reforms on IIFS. I will have more to say on this topic a little bit later this morning.

III. Recent capital market developments: Sukuk issuances

Whether in relation to global perspectives on the prospects for Islamic finance, or in terms of market and product development, Islamic Finance *news* has been a source of illumination over the years. It is of course critical in many of its observations, but whether it is highlighting challenges or opportunities, it has played a positive role in increasing our awareness of the issues that are most topical.

Most recently, it has pointed, along with others, to sustained growth in Sukuk issuances despite the ongoing volatility in the global economy. I would like to turn to this issue now, and offer a few thoughts to try and distinguish between the different elements of what we are observing, and identify some of the challenges.

To put things in perspective, it is useful to recall that indirect bank financing typically falls during an economic contraction, and that this is partly counteracted by an increase in direct financing of projects that were previously bank-intermediated. In the aftermath of the global crisis, the downturn in bank financing has been amplified by the sharp deleveraging being undertaken by the international banks, initially as risk perceptions spiked. We are now facing, of course, the issue of whether we can expect further deleveraging by international banks as new regulatory liquidity requirements come into force.

Against this backdrop, it is reasonable to conclude that part of the rise in Sukuk issuances reflects cyclical opportunities that may be reversed, at least in part, once global economic growth and bank intermediation resume at pre-crisis levels.

However, clearly, other factors are at work — including both demand and supply side factors that point to a structural shift. In particular, there are the increasing surpluses and deepening liquidity pools in emerging economies and, in particular, deepening pools of Shariah compliant savings.

On the demand side, there is the expanding need for infrastructure financing in Asia and the Middle East as well as in Africa.

To these factors, which underpin the sustained increase in Sukuk issuances, we can add that a number of jurisdictions have made sufficient progress in developing the enabling framework to commence the issuance of Sukuk. Taking this observation further, it is also evident that reforms have advanced sufficiently in some jurisdictions to facilitate a shift in government — and corporate or project Sukuk — from one-off-issuances to medium-term programs. This is the critical, perhaps transformative, phase in the development of Islamic finance as a practical tool for social and economic progress.

This transformation is most pronounced, and took place earliest, in Malaysia where we saw successive measures implemented in a phased manner over the years to develop a government Sukuk program, to promote Islamic capital markets, and to enable infrastructure financing through Islamic finance.

In this context, our understanding of future developments will be enhanced by keeping track of the progress being made in the enabling framework in the context of the developmental plans and objectives of specific jurisdictions. Turkey stands out as a recent example of a jurisdiction that has launched its first sovereign Sukuk program on the back of significant legal and regulatory reforms that have strengthened the enabling framework. But this shift in the approach to Sukuk, and to Islamic finance more generally, is illustrated not only by Turkey. A number of other jurisdictions, including those in the Gulf and in Africa, have also made progress in developing the pre-conditions for promoting Islamic finance and Islamic capital markets.

Specific challenges that are being addressed, among others, are in relation to the legal framework for insolvency, trust mechanisms, and asset securitisation. These are hopeful developments for the long-term, but issues of liquidity management remain as an immediate concern.

IV. Liquidity issues in Islamic finance

Ladies and gentlemen, let me therefore now take a more granular view of some of these concerns that affect the IIFS and on which the IFSB is engaged in research and wide-ranging consultation with our members and stakeholders.

The relevant starting point is the global crisis, which has underscored that banks and other financial institutions can act either as amplifiers or absorbers of negative financial sector shocks, depending on their financial strength.

Recent research by the IMF supports the view that bank equity acts more effectively as a buffer when capitalization is measured as tangible common equity — a measure of capital that comes closer both to the actual composition of Islamic banks' capital, and the requirements of Basel III. Better capitalized banks are better able to absorb shocks without reducing their provision of credit. While Islamic banks tend to be well capitalized, and have demonstrated, on the whole, a standard of conduct that has reduced their exposure to toxic assets, there remain serious concerns regarding liquidity.

A critical issue in the context of the Basel III Liquidity Framework is the absence of sufficient quantities of High Quality Liquid Assets (HQLA) in a number of jurisdictions, including Islamic finance jurisdictions. The IFSB is presently conducting a Quantitative Impact Study (QIS) on the likely impact of both the Liquidity Coverage Ratio under Basel III, and the Net Stable Funding Ratio. The QIS will feed into a Guidance Note on Quantitative Measures for Liquidity Management that is under preparation by the IFSB.

Our initial findings indicate that smaller Islamic banks have better LCR than larger banks, a result that is also found for conventional banks by the BCBS. We also find a wider diversification of HQLA assets in those jurisdictions that have more IIFS or have more advanced capital markets. Most IIFS, across jurisdictions, rely on Level 1 assets for the LCR, principally in the form of cash and

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bank notes. There are few jurisdictions, however, that have significant quantities of Level 1 assets in the form of sovereign or central bank securities, Malaysia being a notable example. There are also issues related to the structure of contractual cash outflows which differs for IIFS across jurisdictions.

The key challenges for Islamic finance in this respect are finding HQLA as I have mentioned, as well as demonstrating a track record of these assets having been traded in deep active markets under stress conditions. The ideal instrument for this purpose would be high quality short to medium-term Sukuk. However, in the absence in sufficient quantities of tradable Sukuk of appropriate tenor and risk weight, and in the absence of the deep capital markets that are key requirements for the LCR, the focus has shifted to Alternative Liquidity Arrangements (ALA) for liquidity constrained jurisdictions.

This is a necessary response over the short to medium-term, while our jurisdictions take longer-term measures designed to develop their capital markets and liquidity infrastructure, and increase the supply of Shariah compliant HQLA with the desired characteristics. In the interim, under the ALA, committed facilities by central banks provided against a fee will be one option available for IIFS in meeting the LCR requirements.

Concluding remarks

Let me begin to draw my remarks to a close.

Addressing the challenges and opportunities faced by Islamic finance will involve navigating a series of interconnected issues linked to building up markets, instruments and capabilities, including for regulation and supervision. Strengthening risk management capabilities at the level of both the individual IIFS, and the level of the macro-economy is the thread that links these multiple objectives.

Capital and related financial markets are critical factors in the future growth and sustainability of Islamic finance capabilities in terms of both long-term financing for economic development and short-term liquidity and risk management needs of IIFS.

In this context, the rise of Sukuk issuances on a cross-border basis provides evidence that a global investor base is developing — that is willing and able to finance carefully prepared Shariah compliant investments in infrastructure. The surge in Sukuk financings in 2011, and the continuation of this phenomenon in 2012 and 2013, reflects this development and provides a hopeful outlook to the post-2015 environment for the financing of economic and social development in emerging markets. The scope for the expansion of these financial and real investments is large, but will need concerted efforts by public and private sectors to create the conditions needed to sustain it.

These developments will benefit from, and be further strengthened by, the adoption and implementation of common international standards for prudential supervision and regulation. There is the important question of whether there is a need for further work in defining standards related to issuers, investors and capital market intermediaries. This is a task to which the IFSB has turned to, and we intend to address this as part of a continuation of our joint work on disclosure requirements in Islamic capital markets conducted with the IOSCO Secretariat and with Securities Commission, Malaysia. This collaboration was launched last year, here in Kuala Lumpur, and it culminated with the release of a joint publication at the IOSCO Annual Meeting last month in Luxembourg. Let me take this opportunity to thank the IOSCO Secretariat and its secretary-general, David Wright, as well as SC, Malaysia which is celebrating its 20th anniversary this week, and its chairman, Ranjit Singh, for the strong collaborative role that they have played in this undertaking.

We hope to be able to take this initiative forward in a formal way as a set of guiding principles. As we do so, we will be calling upon many of you in this audience, both members and non-members of the IFSB, to share with us your perspectives and expertise.

With that, ladies and gentlemen, I would like to thank you for the opportunity to speak you this morning, and I wish you very productive deliberations and discussions in what follows.

Thank you.

Islamic Finance *news* ROADSHOW 2013

THAILAND

12th December 2013

With a long and distinguished history of tapping both the local and international capital markets, the necessity to raise considerable funds in the coming years for infrastructure projects, having a large Muslim population and having close ties to its neighbor and Islamic finance goliath, Malaysia, Thailand is most certainly a key potential market for the world of Islamic finance.

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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

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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 guidance INVESTMENTS

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

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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

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16:45 - 17:00 Chairperson's Closing







IFN 2013
Issuers & Investors ASIA FORUM
MONDAY
21st October 2013











Asia: An intriguing proposition

Markets move according to sentiment. Wherever investor confidence is high, the money is sure to flow. NAZNEEN HALIM discovers how Asia has become a source of comfort to GCC investors particularly in the Shariah compliant space.

According to a study by the Economist Intelligence Unit, Asia will become the most important emerging market region for the GCC in the coming years. The total trade between ASEAN and the Gulf was valued at US$83.25 billion in 2010, up from US$67.3 billion in 2009, marking a 24% growth. In the ASEAN region alone, exports reached US$20.1 billion in 2010, while imports reached US$63.1 billion. This, coupled with an intense push for Islamic investments and Shariah compliant products in Asia, particularly in Malaysia, Indonesia, Central Asia and Hong Kong, is expected to further boost the presence of GCC investors in the continent.

"The increasing strength of trade and investment ties between the GCC and Asian economies offers GCC investors attractive investment opportunities in sectors such as energy, financial services, real estate, technology and healthcare"

Infrastructure, real estate, technology, oil and gas and agriculture investments have been ear-marked as Asia's hottest selling points to the GCC, with a handful of sovereign funds from Qatar and Abu Dhabi already pledging billions of dollars-worth of projects in these areas. Sheikh Hamad Faisal Thani al Thani, the chairman and managing director of Al Khaliji Bank said: "Economic power has shifted eastwards to the GCC region and ASEAN countries; we are the focus of global investments now."

Asia's growing population has also laid the grounds for a boom in consumer banking, and it is evident from the spate of products being offered by Islamic banks that there are numerous opportunities in this area.

A report by the Gulf Research Center has also highlighted the need for GCC countries to step up ties with Asian countries, particularly in the agriculture sector. By the year 2030, the population of the GCC is expected to double to 60 million, raising concerns in terms of food supply. In Saudi Arabia alone, 15% of the kingdom's expenditure is allocated to food import and these numbers are no doubt expected to rise.

Several countries within Central Asia and South Asia have been identified as potential sources of raw products such as wheat and rice, and governments within the GCC are keen to tap into these markets through strengthened business relations and investments.

Another key area worth elucidating is trade and Islamic trade finance, which facilitates investment flows between countries. The understanding between Asia's most powerful economies; which also happen to be heavily invested in Islamic finance, and the GCC region through alliances within the OIC are not to be ignored, say market experts.

Capitalizing on this, Asiya Investments which has a presence in Hong Kong and is owned by the Kuwait China Investment Company, launched an Asia Trade Finance Fund in May this year, worth US$20 million in an effort to facilitate cross-border trade flows between Asia and the Middle East. The fund aims to play on the shortage of opportunities for GCC Islamic investors who are seeking an attractive income stream and lower risk profiles.

Sulaiman Alireza, the executive director of Asiya Investments Hong Kong, said: "GCC investors are eager to step up their exposure to the growing Asian economies as many of them are currently under-allocated to the region. At the same time, they are seeking lower risk strategies."

He added that annual intra-Asia trade is expected to quadruple by 2020 to US$20 trillion, while GCC trade with Asia is growing at a rate of 25% a year. Medium-sized companies especially are said to be missing out of US dollar funding, following the ongoing shortage.

Other market players also share Sulaiman's sentiments, on Asia being an under-allocated sector by global investors at present. Ahmad Al Hamad, the group managing director of Asiya Investments, commented: "The increasing strength of trade and investment ties between the GCC and Asian economies offers GCC investors attractive investment, opportunities in sectors such as energy, financial services, real estate, technology and healthcare, while at the same time providing solutions for the financing of Asia's much-needed infrastructure."

He also added that Chinese companies have been actively boosting Asian investments into the GCC through the commitment of capital into Gulf-based construction projects. "The GCC is also an important consumer of Asian goods, with imports doubling in the last two decades, helping to cement this strategic alliance for the 21st century," Ahmad said.

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

Class of 2013: IFN Islamic Investor Poll Results Revealed

The IFN Islamic Investor Poll, now in its third year, is the outcome of a comprehensive survey of the global Islamic asset management industry to establish the key movers and shakers of the past year, as voted for by the industry itself. In this issue we reveal who topped the class of 2013, as the results of this year's poll are finally unveiled…

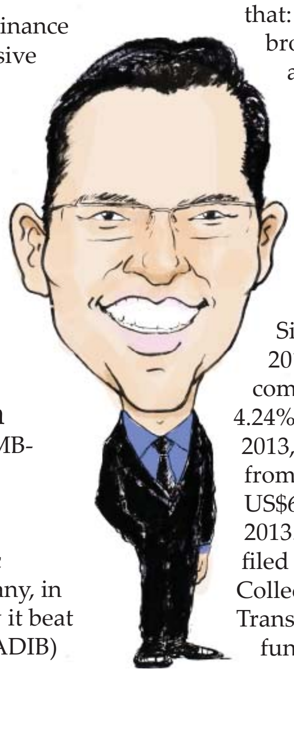
Launched in 2011, the IFN Islamic Investor Poll has grown to be one of the leading benchmarks of the Islamic asset management environment, measuring the exciting progress of the burgeoning industry through first-hand analysis of the top players by their industry colleagues.

Over the past few years the Islamic funds industry has shaken off the remnants of the financial crisis to demonstrate impressive growth, exceeding 7.6% last year. Although the number of new funds looks to be on a slight downward trend, with just 49 new Shariah compliant funds estimated to have been launched in 2012 compared to 59 in 2011 and 66 in 2010 (possibly due to the resurgence of the Sukuk market) the industry continues from strength to strength as new innovations are launched and the wider Islamic capital markets continue to develop. With an estimated 765 funds worldwide and an investible universe of over US$500 billion, although the industry remains only a fraction of the conventional sector, its potential is undeniable.

In this year's poll Islamic Finance *news*, the most comprehensive and unbiased guide to the Islamic asset management industry, recognizes and congratulates those firms who are exploiting this potential to break new boundaries through their innovation, experimentation and expertise.

Reigning champion

In a tripartite triumph, CIMB-Principal Islamic Asset Management continued its unbroken three-year reign to win Best Overall Islamic Asset Management Company, in a close-run race which saw it beat Abu Dhabi Islamic Bank (ADIB) by just 5% of the votes. The firm also held onto its title of Best Islamic Asset Management Company in Asia for the third consecutive year, edging out runner-up AmInvestment Management by a 2% margin.



The awards are well-deserved following an impressive year for the firm, which saw a 60% growth in assets under management (AUM) to US$1.84 billion in the first six months of 2013. CIMB Principal CEO Ramlie Kamsari (caricature bottom left) attributes its success to: "Our hard work, dedication and perseverance," commenting that: "This is indeed a valuable affirmation for the firm as a global Islamic asset management house."

The firm is at the forefront of global compliance and reporting standards, and is one of the first GIPS (Global Investment Performance Standards)-compliant global Islamic asset management houses; meaning that all investment performance data included in marketing materials and reports issued to clients are presented in a globally accepted format. Ramlie also notes that: "We have been persistent in broadening our Shariah compliant asset classes and geographical focus to meet growing investor demand."

This year is shaping up to be an interesting one for the group, especially for its Al Hilal Global Sukuk Fund domiciled out of the UAE. Since its inception in March 2012, the fund has delivered a commendable performance of 4.24% returns as at the end of July 2013, with an AUM growth of 530% from US$10 million at inception to US$63 million as at the end of June 2013. It also last year successfully filed three Undertakings for Collective Investments in Transferable Securities (UCITS) funds in Ireland (the Islamic Global Emerging Markets Fund, the Islamic Asia Pacific (Ex-Japan) Fund, and the Islamic ASEAN Equity Fund) and is currently in the process of visiting the UK, Germany, the UAE and Saudi Arabia along with plans to visit Switzerland as well. Exciting plans afoot for this year include the active expansion of distribution in other jurisdictions such as Sweden (with the Swedish Pension System) and Qatar. The firm has also registered a fund in Singapore for professional investors who represent high net worth investors, and is in the process of registering for retail investors via local bank distribution channels.

Middle Eastern magic

In the category of Best Islamic Asset Management Company in the Middle East, ADIB beat out HSBC Global Asset Management by just 3% to take the prize, replacing incumbent NCB Capital for the first time since 2011. The bank has spread its wings this year to expand into new territories across the region including a focus on North Africa with applications for licenses in Algeria and Libya and possibly in Tunisia and Morocco. CEO Tirad Mahmoud (caricature top right) noted in a recent media interview that: "We are seeking to expand in nations with a critical mass in terms of population and economic activity."

ADIB also beat BNP Paribas Investment Partners to win Best Islamic Investment Strategist of the Year for the second year in a row. One of the key factors behind

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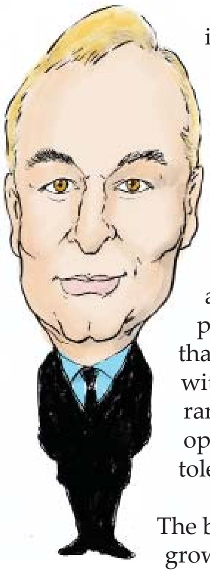

its win is the firm's continued focus on a customer-centric strategy based on customized and targeted products and services. In 2012 for example, the bank launched a range of capital protected gold notes that can be combined with its mutual funds in a range of three investment options based on risk tolerance and profile.

The bank has seen strong growth this year with net profits rising 15.1% in the second quarter of 2013 to AED371.4 million (US$101.09 million). One of the most liquid banks in the UAE, ADIB this year also repaid its entire AED2.2 billion (US$600 million) Tier 2 loan taken from the UAE Ministry of Finance in 2009, as part of its multi-pronged approach to capital management which also saw the issuance of its landmark Tier 1 US$1 billion hybrid Sukuk in December 2012. The strong first half growth has contributed to a positive outlook for the bank, although it intends to continue to focus on retrenching and managing its problem credit management processes and follow a prudent path. However, it notes that: "Notwithstanding our caution, we will continue to invest across all segments and business units for long-term growth potential and market leadership, as we remain committed to playing a leading role in the economic growth of the UAE and in those countries in which we and our clients operate."

European surprise

A new winner also stormed the stage this year in the category for Best Islamic Asset Management Company in Europe, with UK-based Bank of London and the Middle East (BLME) winning out over runner-up and champion for the previous two years, BNP Paribas Investment Partners. Nigel Denison (caricature top left), the head of wealth management and treasury, comments that: "BLME is delighted to receive this prestigious award. BLME has worked hard to provide our clients with fixed income products that consistently over-perform and compete with conventional funds."

Award	2013 Winner	2013 Runner-Up
Best Islamic Asset Management Company in Asia	CIMB-Principal Islamic Asset Management	AmInvestment Management
Best Islamic Asset Management Company in Middle East	Abu Dhabi Islamic Bank	HSBC Global Asset Management
Best Islamic Asset Management Company in Africa	Oasis Crescent Management Company	Lotus Capital
Best Islamic Asset Management Company in Europe	Bank of London and The Middle East	BNP Paribas Investment Partners
Best Islamic Asset Management Company in the Americas	Azzad Asset Management	Saturna Capital
Best Investor Relations by an Asset Management Company	AmInvestment Management	CIMB-Principal Islamic Asset Management
Best Islamic Investment Strategist of the Year	Abu Dhabi Islamic Bank	BNP Paribas Investment Partners
Most Innovative Asset Management Company	BNP Paribas Investment Management	Abu Dhabi Islamic Bank
Best Institutional Solutions Provider of the Year	Employees Provident Fund	BNP Paribas Investment Partners
Best Fund Domicile of Choice	Malaysia	Luxembourg
Best Fund Distributor (private/retail bank)	Maybank	Bank of Tokyo-Mitsubishi UFJ
Best Overall Islamic Asset Management Company	CIMB-Principal Islamic Asset Management	Abu Dhabi Islamic Bank

The largest Islamic bank in Europe with a balance sheet of around US$1.6 billion and net profit of around US$8.5 million as at the end of 2012, BLME launched its private banking and asset management arm in 2009 and since then has been at the forefront of the Islamic asset management industry in the region. It has built an expertise in debt capital markets, equity and property; with over US$100 million in AUM across a range of fixed income funds, equity, Sukuk and property funds. This year the bank is targeting a 15% growth in assets, with plans to launch a Dubai office to help boost its capital market and wealth management practice.

African allure

The group voted Best Islamic Asset Management Company in Africa should need no introduction, with South Africa-based Oasis Crescent Management Company taking the prize for the third year in a row, and Lotus Capital coming in second place. Founded in 1997, Oasis is one of the pioneers of Islamic asset management in Africa, based on: "The goal of providing a global platform through which the ethically conscious investor could protect and grow their real wealth in a relatively low risk manner without sacrificing returns," according to CEO Adam Ebrahim (caricature center).

Celebrating its 15th anniversary this year, the Oasis Crescent Equity Fund is the flagship product of the Oasis Group, and holds a prestigious gold rating from S&P. In the first six months of 2013 it provided a cumulative return of 1,933%, outperforming the average South African Shariah peer group fund (689% over the same period) by a massive 1,244% since inception. "Simply put, if an investor had invested ZAR100,000 (US$10,120) at inception, this would have grown to ZAR2.03 million (US$205,440) today," explains Ebrahim.

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IFN FORUM SAUDI ARABIA 2013

18th - 19th November 2013

The Kingdom of Saudi Arabia has **proved its potential** in the capital markets issuance space in 2012, with a slew of high-profile Sukuk issuances backed by the Saudi Arabian government. The single largest Sukuk issue ever originated from Saudi Arabia in January 2012, worth US$4 billion, by the General Authority of Civil Aviation. The Kingdom's Sukuk market is now considered the **third-largest in the world**, after Malaysia and the UAE, and is expected to **continue to climb up** the issuance ladder moving forward.What is perhaps most needed in the kingdom now to **create impetus** to its Islamic finance cause is the further development of its capital markets, and increased enthusiasm in the secondary market trading space, to fully realize the potential of the Kingdom's incredibly liquid position.

The 2013 IFN Saudi Arabia Issuers & Investors Forum will examine the immense potential of the Saudi Arabian Islamic issuance space, explore the growth opportunities linked to the Kingdom's unrivalled liquidity and increasing interest from issuers and investors alike. Regulatory and tax developments are also high on the agenda of the 2013 IFN Saudi Arabia forum, for the benefit of Islamic finance practitioners looking to tap into this highly liquid market.

This event is open to all those who have an active interest in Islamic finance. Registration is FREE and successful registrants will receive a confirmation via email.

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However, while the excess returns generated by the fund are impressive, it is the manner in which these returns have been generated that illustrates the real achievement of the team at Oasis. In particular, the protection offered to investor wealth during market downturns has proven to be the hallmark of the fund (and the Oasis range of products in general), capturing just 58% of the market losses faced by its peers, while achieving 97% of the upside.

Ebrahim also highlights the vast potential in the African continent, which Oasis in its position at 'the gateway to Africa' is ideally placed to leverage. "Africa has entered a new dawn with its economies displaying significant increases in real GDP levels over the past decade and providing substantial opportunities for foreign investors, with the continent's overall growth expected to be in excess of 5% per annum over the next few years. The Crescent range of Oasis products in South Africa provides investors with an ideal opportunity to benefit from the long-term growth opportunity that Africa provides in a relatively low risk manner."

Uncle Sam

Azzad Asset Management is another familiar face, reprising its 2012 win to take Best Islamic Asset Management Company in the Americas over runner-up (and 2011 winner) Saturna Capital.

Founded in 1997 Azzad Asset Management has focused on providing investment services designed to help clients enjoy optimum performance without compromising their values. Bashar Qasem (caricature top left), the president and CEO, affirmed to Islamic Finance *news* that: "Our firm is focused on innovative products and the highest level of customer service."

The firm's flagship product is the Azzad Wise Capital Fund, the first and only Halal fixed income mutual fund in the US, which celebrates its third birthday in 2013. The fund aims to act as the "missing piece of the puzzle" for income-oriented retail investors including mosques, Islamic centers, community organizations and individual investors seeking a conservative, Shariah compliant investment option for long-term financial planning. Its success has however also generated interest from non-Muslim investors, keen to gain ethical exposure to emerging markets such as Turkey, Indonesia, Malaysia and the Gulf.

As well as its range of Azzad mutual funds managed by its own investment management team, the firm also has an innovative relationship with some of Wall Street's most reputable institutional investment managers to manage specific asset classes through its Ethical Wrap Program portfolios. "We believe a sound investment considers the social and ethical consequences", explains Bashar. "That's why our values and philosophy guide the way we manage money for our clients."

Friendly faces

A new entrant in 2013 was AmInvestment Management, which burst onto the scene for the first time in the history of the poll with an impressive bang, losing to CIMB-Principal Islamic for Best Islamic Asset Management Company in Asia by only 2% and beating the same firm altogether to win Best Investor Relations by an Asset Management Company (won last year by Singapore's Sabana Real Estate Investment Management).

AmInvest is a leading fund management house from Malaysia which has been managing institutional mandates for pension providers, sovereign funds, private bankers, Takaful and mutual funds for financial institutions for the last three decades. CEO Maznah Mahbob (caricature left) attributes the victory to the firm's "dedicated institutional funds services and retail funds teams, which provide top notch services to meet the needs and investment objectives of our institutional clients and distributors respectively".

Innovative thinking

Another new win was the award for Most Innovative Asset Management Company, which this year went to BNP Paribas Investment Management, which beat out both ADIB and 2012 winner Sabana. CEO Angelia Chin-Sharpe (caricature middle right) credits the honor to the group's dedicated global Sukuk investment team in Malaysia, which manages approximately US$584 million (as of 31st July 2013) in Sukuk mandates and has overseen a 50% growth in AUM over the last five years. The team boasts a total of 14 years' experience in asset management, finance and banking and is fully integrated into the BNP Paribas Asset Management Global Fixed Income group. Under the leadership of an experienced portfolio manager and credit analyst, the team has a strong performance record in global and domestic Sukuk mandates as well as the Hilal Income Fund.

"As financial markets increase in complexity, BNP Paribas Investment Partners has made a number of selective acquisitions over the past few years providing the firm with new investment solutions," explains Chin-Sharpe. "Our innovation lies in managing our clients' needs and adapting to ever-changing economic conditions to meet client expectations."

Malaysian giants

While the Islamic asset management industry spans the globe and with strongholds in several regions including the Middle East and Europe, there is no doubt that Malaysia continues to dominate the overall landscape. This year the Southeast Asian giant was once again voted the Best Fund Domicile of Choice

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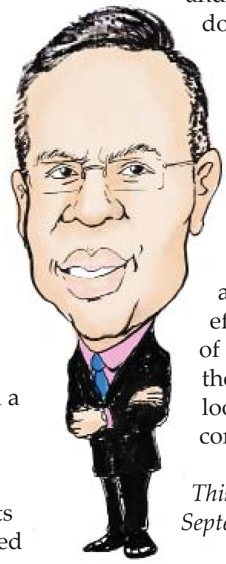
(with Luxembourg coming in second). Muzaffar Hisham (caricature bottom left), CEO of Maybank Islamic, the leading Islamic bank in the region and part of the country's largest financial services group, comments that: "Malaysia being the fund domicile of choice is a further testament to her being the global leader within the industry owing to our prudent and matured regulatory framework, infrastructure, demographics and informed investors with the mindset of diversifying their investment portfolios into Shariah compliant variants."

Adding to this success, the country's Employees Provident Fund (EPF) also out-ran BNP Paribas and last year's winner CIMB-Principal Islamic to win Best Institutional Solutions Provider. The world's sixth-largest pension pool and the second-biggest in Asia after Japan, EPF holds around US$160 billion in assets spread across a range of investments. This year it has focused on expanding its foreign portfolio, with high profile investments such as the UK's Battersea Power Station development. In July this year it was also reported to be investing EUR500 million (US$660 million) into industrial property in Germany and office space in France, to take advantage of the resurgent European property market. The fund has also been following a plan to boost Sukuk holdings over the past year, aimed at increasing from US$1.7 billion in 2012 to US$3 billion in 2013, or 2.5% of total bond allocation, according to CEO Azlan Zainol (caricature center). "We want to contribute towards making Malaysia the Islamic financial hub," he said in a 2012 interview.

And to round out the Malaysian team, Maybank this year made its first appearance on the field, voted Best Fund Distributor for a Private/Retail Bank and beating runner-up and 2012 winner Bank of Tokyo Mitsubishi UFJ by a narrow 4%. "We at Maybank are absolutely humbled and thankful for this prestigious Investor Poll Award from Islamic Finance *news*," said Muzaffar. He attributed the win to Maybank's vast distribution capabilities within Malaysia and Southeast Asia, with over 400 domestic distribution channels alone.



Congratulations to all

Islamic Finance *news* would like to extend our heartiest congratulations to all the winners of this year's poll, and express our admiration and appreciation for their continued efforts to grow and develop one of the most exciting avenues of the Islamic finance industry. We look forward to seeing what the coming year will bring! —*LM*

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

Methodology
A month-long polling period during the month of July saw a total of 1,115 independent and individual votes received from a comprehensive cross-section of the leading retail and institutional investors, money managers, private bankers, investment analysts, treasurers and other market experts in the Islamic finance industry across the globe.

After a rigorous due diligence process 296 votes were then rejected, with 819 counting towards the final results.

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