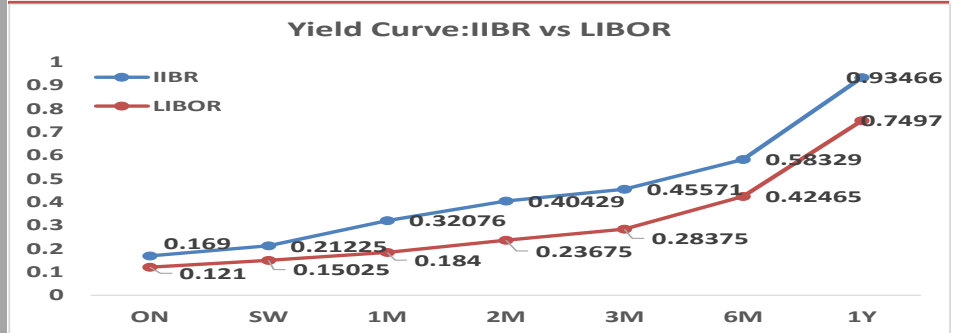


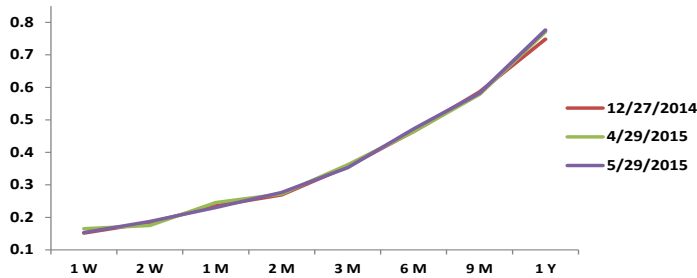
Market Analysis: Malaysia's move to distinguish asset management from banking is a positive one.	2
WBG Team contributed to the 12th IFSB Summit under the theme of the Core Principles for Islamic Finance Regulation	2
IDB plans to form Sharia infrastructure megabank in cooperation with Indonesia, Turkey and to strengthen the presence of Islamic Finance in China	3
Islamic Lending books shift towards profit-sharing in Indonesia, Pakistan	3
Indonesia fetches record \$2bn dollar <i>sukuk</i>	4
As sovereign issues grow, pricing and design stymie corporate <i>sukuk</i>	4
Refinancing to drive Malaysian <i>sukuk</i> volumes	4
Morocco adopts draft law regulating Islamic insurance	5
Kenya regulator opens <i>takaful</i> market to conventional insurers	5
A Sharia Compliant Bitcoin Platform Blossoms in Indonesia	5
Islamic microfinance unlocking big potential	6
Thomson Reuters Releases Global Islamic Asset Management Outlook Report	6
UAE banks discuss plan for centralized Islamic finance board	6
Upcoming Events & Publications	7
Glossary	8

**Issue 4, June 2015**

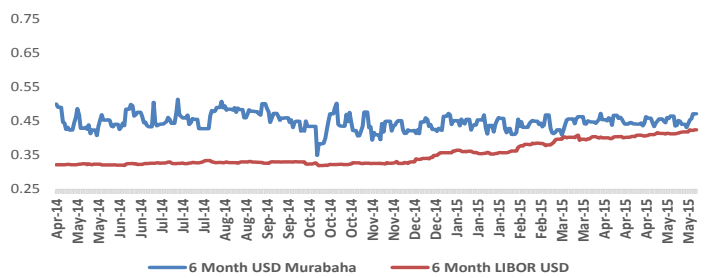
	5/29/2015	4/29/2015	2/28/2014	5/29/2014
	Value	MoM	QoQ	YoY
<b>Equity</b>				
Dow Jones Islamic Index	2983.03	▼ -1.09%	▲ 6.95%	▲ 4.71%
Dow Jones Global Index	335.43	▼ -1.28%	▲ 6.07%	▲ 3.40%
MSCI Islamic Index	1187.12	▼ -1.32%	▲ 2.62%	▼ -0.20%
MSCI World Index	1779.31	▼ -0.92%	▲ 6.20%	▲ 3.86%
MSCI Emerging Market Index	1004.22	▼ -5.22%	▲ 3.91%	▼ -3.31%
<b>Fixed Income</b>				
LIBOR 6 Month	0.4247	▲ 0.017	▲ 0.094	▲ 0.103
Murabaha USD 6 Month	0.4721	▲ 0.009	▼ -0.023	▲ 0.019
Dow Jones Sukuk Index	103.74	▼ -0.31%	▲ 1.51%	▲ 0.40%
Bloomberg Emerging Market Bond Index	146.44	▼ -0.01%	▲ 7.54%	▲ 2.62%
<b>Insurance</b>				
Bloomberg Takaful Index	156.07	▲ 1.91%	▲ 34.65%	▲ 16.81%



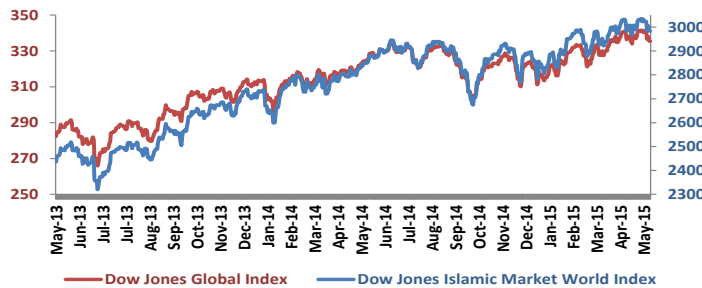
Mark-up Murabaha USD Rates



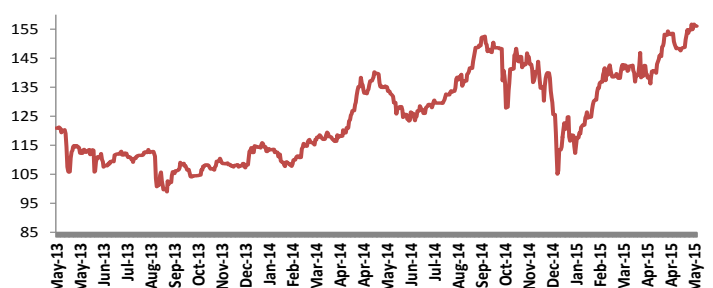
Murabaha Rate vs LIBOR



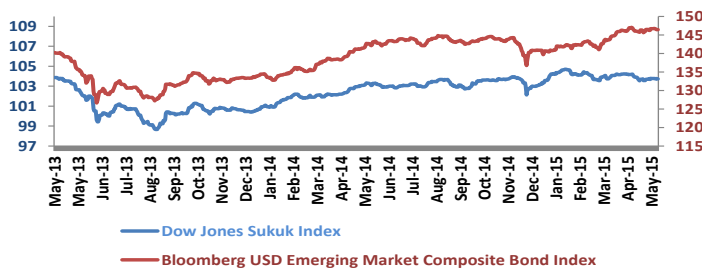
Dow Jones Global vs Dow Jones Islamic Indices



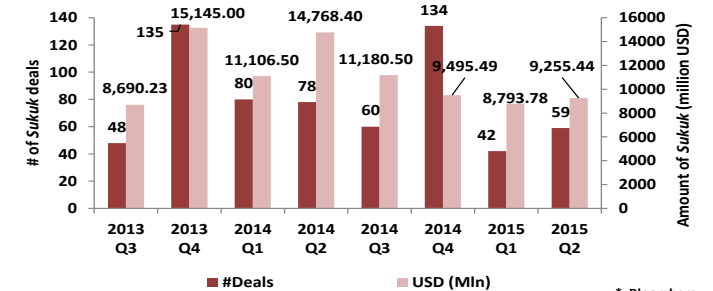
Bloomberg Takaful Index



Dow Jones Sukuk Index vs Bloomberg Emerging Market Composite Bond Index



Amount and Number of Deals of Sukuk Issuances\*



\* Bloomberg

# Islamic Finance Bulletin

## Market Analysis: Malaysia's move to distinguish asset management from banking is a positive one.

Islamic banks offering deposits and investment accounts often face questions about mixing banking and assets management business which has direct impact on the regulatory approach especially on deposit insurance and capital adequacy. With this background, Malaysia has taken steps to protect depositors and to distinguish investments account holders as asset management business. As a result, Association of Islamic Banking Institutions Malaysia's (AIBIM) are of the view that Islamic banks (IBs) could now offer a more diverse set of financial instruments under investment accounts in accordance with Islamic Financial Services Act 2013 (IFSA 2013) which enables IBs to create distinct Islamic Deposit and Islamic Investment Accounts and for depositors to choose in which account they would like to invest. A more efficient usage of investment accounts by IBs would move IBs operations closer to equity-based, risk sharing framework promoting economic growth and development.

Under IFSA 2013, IBs are required to distinguish between Islamic Deposit and Islamic Investment Accounts. The basic characteristics of each account is provided in the table below:

Islamic Deposit (ID)		Investment Account (IA)							
Financial Instruments	<ul style="list-style-type: none"> <li>• <i>Wadiah</i> (Safekeeping)</li> <li>• <i>Murabahah</i> (Cost Plus Financing)</li> <li>• <i>Qard</i> (Benevolent Loan)</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Musharakah</i> (Profit Loss Sharing)</li> <li>• <i>Mudharabah</i> (Profit sharing and loss bearing)</li> <li>• <i>Wakalah</i> (Agency Agreement)</li> </ul>							
Maturity	Short		Long						
Risk/Return	Low		High						
Guarantee	Principal up to RM250,000 (\$67,620)		-						
		<table border="1"> <thead> <tr> <th>Restricted IA</th> <th>Unrestricted IA</th> </tr> </thead> <tbody> <tr> <td>Funds are invested in line with customers' preferences</td> <td>Customers rely on IBs expertise in choosing the investment venue.</td> </tr> <tr> <td>Subject to specific withdrawal conditions agreed at the inception of contract</td> <td>More flexible withdrawal conditions compared to Restricted IA</td> </tr> </tbody> </table>	Restricted IA	Unrestricted IA	Funds are invested in line with customers' preferences	Customers rely on IBs expertise in choosing the investment venue.	Subject to specific withdrawal conditions agreed at the inception of contract	More flexible withdrawal conditions compared to Restricted IA	
Restricted IA	Unrestricted IA								
Funds are invested in line with customers' preferences	Customers rely on IBs expertise in choosing the investment venue.								
Subject to specific withdrawal conditions agreed at the inception of contract	More flexible withdrawal conditions compared to Restricted IA								
Withdrawal	Flexible fund withdrawal								

One of the major requirements for the efficient use of Investment Accounts in fulfilling its promises is the establishment of a macro Investment Account Platform (IAP) that would increase the accessibility to the investment ventures and promote the mobilization of funds to these ventures. Investment Account Platform is where the prospective investment projects are to be listed and this platform would enable the customers to choose the most appropriate investment structure that suits their risk preferences. The investments in IAP are to be monitored regularly which would increase their transparency with respect to the expected return, length of investment period, Sharia compliance. Furthermore IBs' initial cost of matching the investors' risk characteristics with a suitable investment projects would decrease significantly once IAP is fully operational and offers a wide range of investments of different characteristics.

AIBIM, in its press release, emphasized that IBs should conduct customer suitability assessments to ensure to choose investment accounts that fit the customers risk appetite, capacity and financial profile. Banks are now required to contact their customers to give them the option of whether they would like to opt for investment accounts. Otherwise all existing customers' accounts will be kept under Islamic Deposit category.

Effective implementation of usage of investment accounts is of utmost importance for IBs which would not only propel Islamic Finance in the right direction but also contribute to real economic activity.

This move could become a trend-setter and best practice for other countries where Islamic banks operate. This will have impact on the way Islamic banks are viewed by the regulators and supervisors but could pose more challenges for the regulators in those countries where banking and asset-management business are regulated by different authorities.

## WBG Team contributed to the 12th IFSB Summit under the theme of the Core Principles for Islamic Finance Regulation

Thought leaders and key players of the Islamic financial services industry (IFSI) shared their views on the industry's regulatory and supervisory issues at the 12th IFSB Summit, themed "Core Principles for Islamic Finance Regulation: Integrating with the Global Regulatory Framework". The Summit was held on 20 and 21 May 2015 in Kazakhstan, and hosted by the National Bank of Kazakhstan.

From the World Bank Finance & Markets Global Practice, Abayomi A. Alawode, Head of Islamic Finance and Zamir Iqbal from The World Bank Global Islamic Finance Development Center participated in a panel discussion on the regulatory framework for Islamic Banks.

[http://www.ifsb.org/press\\_full.php?id=306&submit=more](http://www.ifsb.org/press_full.php?id=306&submit=more)

Furthermore World Bank organized a special session jointly with Turkish Treasury discussing the Islamic Finance initiatives on the G20 agenda. In this event, WBG team highlighted the role Islamic

finance could play in assisting G20 initiatives such as

- Utilizing *sukuk* for long term investments such as infrastructure,
- Promoting inclusive growth through SMEs.

The panel was moderated by Abayomi A. Alawode and the panel speakers were Aysegul Eksit (Executive Vice Chairman, Capital Markets Board of Turkey) and Zamir Iqbal.

The event was well attended and received a lot of attention from policymakers, private sector representatives and related to stakeholders.



The Islamic Financial Services Board's (IFSB) 12th Summit, themed "Core Principles for Islamic Finance: Integrating with the Global Regulatory Framework", was held at Almaty Kazakhstan.

In addition, WBG team took active role in a side event related to G20 initiatives. In this panel WBG team highlighted how Islamic Finance could be utilized in assisting the G20 initiatives to be realized.

# Islamic Finance Bulletin

## IDB plans to form *Sharia* infrastructure megabank in cooperation with Indonesia, Turkey and to strengthen the presence of Islamic Finance in China

Indonesia is prepared to contribute at least \$300 million to a new Islamic infrastructure bank that the Southeast Asian nation will co-found with Turkey and a Saudi-based multilateral lender, the country's finance minister said on Tuesday.

The idea for the proposed bank comes as Asian nations seek to boost cross-border lending for infrastructure, with China taking the lead with its Asian Infrastructure Investment Bank (AIIB).

Improving Indonesia's creaking infrastructure is one of President Joko Widodo's main priorities. In his first budget in February, Widodo allocated 290 trillion rupiah (\$21.96 billion) for capital spending.

"It will be like an infrastructure bank, but with a *sharia* approach, with the republic of Indonesia, Turkey and the Islamic Development Bank (IDB) as founding members," Indonesia's Finance Minister Bambang Brodjonegoro told reporters.

Both Indonesia and Turkey have pledged to put at least \$300 million into the bank. It was not immediately clear how much the IDB would contribute.

<http://www.reuters.com/article/2015/05/27/indonesia-islamicfunds-idUSL3NOYI00T20150527>

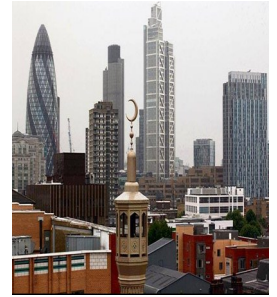
Furthermore, The Islamic Corporation for the Development of the Private Sector (ICD), the IDB's private sector arm, will cooperate with ICBC Financial Leasing, a wholly owned subsidiary of ICBC, China's biggest lender by assets.

The two companies aim to develop Islamic business in the ICD's 52 member countries, including the *ijara* type of *sharia*-compliant banking and liquidity management. They will seek to do syndicated financing for private sector projects, the ICD said in a statement on Thursday.

China's population of Muslims is estimated at over 20 million but there is very little if any Islamic finance activity inside the country, and it is not clear whether the industry will develop the legal and regulatory backing to develop there.

However, some Chinese companies see Islamic finance as a way to expand their trade and investment in fast-growing Muslim majority markets such as the Gulf and southeast Asia, and to access pools of capital there.

<http://www.reuters.com/article/2015/05/07/idb-icbc-idUSL5NOXY5LA20150507>



Turkey's Deputy Prime Minister Ali Babacan said the bank would be a "megabank", the country's state Anadolu Agency reported last week.

*The Jeddah-based Islamic Development Bank said it was teaming up with an arm of Industrial and Commercial Bank of China to look for business opportunities, in a sign of growing Chinese interest in Islamic finance.*

## Islamic lending books shift towards profit-sharing in Indonesia, Pakistan

Over the past year Pakistan and Indonesia have stepped up efforts to develop their Islamic finance sectors, with regulators and religious scholars addressing criticism that the industry often merely mimics conventional finance. The shift towards profit-sharing contracts, shown in central bank data, could help Islamic finance gain ground in two markets which have a combined population of about 430 million but where Islamic banks hold less than 10 percent of total banking assets. Growing demand for participatory financing tools and improved client awareness of Islamic finance are behind the change, said Abdullah Ghaffar, head of

investment banking at Al Baraka Bank Pakistan, a unit of Bahrain's Al Baraka Banking Group. This is encouraging a shift away from *murabaha*, a cost-plus-profit arrangement in which one party buys merchandise for another. *Murabaha* is often criticized for its resemblance to a conventional interest-bearing loan. "A significant majority of *sharia* advisors and scholars in Pakistan are openly pushing their respective institutions to reduce their *murabaha* exposures," said Ghaffar.

<http://www.reuters.com/article/2015/04/30/islamic-financing-loans-idUSL5NOXJ07K20150430>



The make-up of Islamic banks' loan books is changing in Pakistan and Indonesia with the growing use of profit-sharing contracts that could help Islamic finance win more customers in the two largest Muslim-majority countries.

# Islamic Finance Bulletin

## Indonesia fetches record \$2bn dollar *sukuk*

Indonesia has previously kept its dollar *sukuk* to a range of \$1bn-\$1.5bn, according to data from the Islamic Finance Information Service (IFIS). But the Baa3/BB+/BBB- rated country managed to trump that this time around by raising an impressive \$2bn from a new 10 year *wakala*.

Southeast Asia's largest economy was able to achieve that off the back of a huge \$6.8bn order book that saw 240 accounts putting bids in, figures that one syndicate banker close to the deal described as very encouraging.

"Bearing in mind that *sukuk* are not index eligible, this deal really shows how much more

comfortable investors are with *sukuk* as well as the Indonesian credit itself," a banker close to the deal said.

A second banker on the Reg S/144A transaction was also happy with the end result, especially since there had already been two large dollar *sukuk* out of Asia this year.

He was referring to Petrolia Nasional's (Petronas) \$1.25bn 2020 and Malaysia's \$1.5bn dual tranche *wakala*, which were issued in March and April, respectively.

[http://www.globalcapital.com/article/rp2z705g4602/indonesia-fetches-record-\\$2bn-dollar-sukuk](http://www.globalcapital.com/article/rp2z705g4602/indonesia-fetches-record-$2bn-dollar-sukuk)



The Republic of Indonesia completed its yearly return to the dollar *sukuk* market in style on May 21 when it rewrote the record books to print its largest offering in the Islamic finance instrument.

## As sovereign issues grow, pricing and design stymie corporate *sukuk*

*Sukuk* issuance by governments around the world is expanding, helping to bring Islamic finance into the mainstream. But in one respect, the sovereign issues are proving a disappointment: they are not encouraging *sukuk* sales by companies.

Legal and product design issues as well as pricing - it can be considerably more expensive for companies to issue *sukuk* than conventional bonds - are deterring corporate activity.

Last year saw debut *sukuk* issues by the governments of Britain, Hong Kong, Luxembourg, Senegal and South Africa. Hong Kong tapped the market for a second time this week with a

\$1 billion deal.

Demand among international investors has been strong. Large pools of Islamic funds in the Gulf and southeast Asia are hungry for sharia-compliant instruments.

But expectations that the sovereigns would pave the way for companies to issue *sukuk*, by demonstrating the viability of Islamic bonds and by building a benchmark yield curve, have so far been dashed. Since the five debut sovereign sales, no company has issued *sukuk* in those five economies.

<http://www.reuters.com/article/2015/05/29/sukuk-companies-idUSL5N0YJ00720150529>

Sovereign and quasi-sovereign issuers accounted for 85 percent of the \$113.9 billion of *sukuk* deals done globally in 2014, and that proportion shows no sign of changing. Outside Malaysia, Saudi Arabia and the United Arab Emirates, corporate *sukuk* remain rare.

## Refinancing to drive Malaysian *sukuk* volumes

"We expect total *sukuk* bond issuance in Malaysia to be at or slightly lower in 2015 when compared with the \$20 billion (Dh73.64 billion) seen in 2014, given Malaysia's adherence to its policy of fiscal deficit reduction, against the backdrop of weak commodity prices and foreign exchange volatility," said Khalid Howladar, Moody's global head of Islamic Finance.

A growing number of entities from outside the country have issued ringgit-denominated *sukuk* as they attempt to diversify their funding sources. In addition, the government has built an extensive domestic yield curve, particularly in the longer tenors. This yield curve

supports Malaysian corporate and bank issuers in securing funding across all maturities. As such, Malaysia is likely to remain the broadest and deepest domestic *sukuk* market for at least the next few years.

Corporate and sovereign refinancing of maturing bonds are expected to drive stable *sukuk* issuance volumes in Malaysia in 2015, but the decline in overall loan demand in the banking sector is likely to impact the funding requirement of Islamic banks.

<https://www.zawya.com/story/>

[Refinancing\\_needs\\_to\\_drive\\_Malaysian\\_sukuk\\_volumes-GN\\_25052015\\_250513/](https://www.zawya.com/story/Refinancing_needs_to_drive_Malaysian_sukuk_volumes-GN_25052015_250513/)



Malaysia, the largest and most liquid *sukuk* market in the world, is expected maintain *sukuk* issuance growth momentum this year, although a small decline is anticipated because of potential fiscal tightening, according to rating agency Moody's.

# Islamic Finance Bulletin

## Morocco adopts draft law regulating Islamic insurance



Morocco's government adopted a bill on Thursday to regulate Islamic insurance, legislation that will face a final vote by parliament later this year, a cabinet statement said.

It is the last step in Morocco's legislative package to regulate the country's fledgling Islamic finance industry. Earlier this year, it issued a decree allowing the creation of a sharia board to oversee the sector.

Islamic finances, which ban interest payments and pure monetary trading, have been growing across Asia, Middle East and Europe.

*Takaful*, or Islamic insurance, is seen as a bellwether of consumer appetite for Islamic financial products. It is based on the concept of mutuality

and the *takaful* company oversees a pool of funds contributed by all policy holders.

The bill adopted by the government goes into details on authorizations, *takaful* and *retakaful* products and operating process. Sharia-compliant insurance will be overseen by the same sharia board of Islamic scholars in charge of Islamic banking.

[https://www.zawya.com/story/Morocco\\_adopts\\_draft\\_law\\_regulating\\_Islamic\\_insurance-TR20150514nL5NOY543AX2/](https://www.zawya.com/story/Morocco_adopts_draft_law_regulating_Islamic_insurance-TR20150514nL5NOY543AX2/)

Kenya joins the countries such as Pakistan and Indonesia in allowing *takaful* windows, which enable firms to offer sharia-compliant and conventional products side by side.

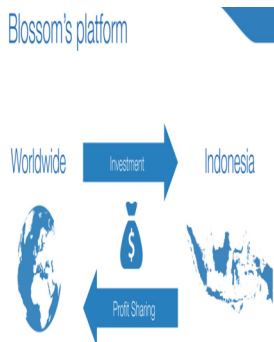
## Kenya regulator opens *takaful* market to conventional insurers

Kenya's regulator has introduced new *takaful* (Islamic insurance) rules which will allow the entry of conventional players into the sector, part of efforts to boost capital markets in East Africa's biggest economy. *Takaful* is seen as a bellwether of consumer appetite for Islamic finance products. It is based on the concept of mutuality; the *takaful* company oversees a pool of funds contributed by all policy holders. Islamic finance, which follows religious principles such as bans on interest payments, accounts for roughly 2 percent of total banking business in Kenya, where Muslims make up about 15 percent of the population of 40 million.

The rules will come into effect in June with firms required to adhere to the requirements by December, according to a document from Kenya's Insurance Regulatory Authority.

This would see Kenya join the countries such as Pakistan and Indonesia in allowing *takaful* windows, which enable firms to offer sharia-compliant and conventional products side by side. The rules require separate financial reporting requirements for *takaful* windows from their parent firm, and their operating model must be approved by a board of religious scholars.

<http://www.reuters.com/article/2015/05/06/islam-insurance-kenya-idUSL5N0XX06Y20150506>



Blossom offers microloans for the needy in Indonesia. What sets Blossom apart from most other players is the platform. Blossom platform uses bitcoin as a background to enable investors from across the world to fund those who are looking for micro-loans.

## A Sharia Compliant Bitcoin Platform Blossoms in Indonesia

Blossom is a fintech company that offers Sharia compliant financial services to people in countries that are predominantly Islamic. The company successfully merges bitcoin and traditional microfinance into a single package. Bitcoin can be considered as a global currency. So far, the rules for using bitcoins has been the same throughout. Not anymore, as the new start-ups coming up in these sectors are learning quickly. They have started offering customized products for the regions they serve in. Blossom is one such start-up operating in Indonesia which offers Sharia compliant loans. Indonesia is predominantly an Islamic country with close to 90% of the population being Muslims. With an Islamic majority, including orthodox followers, compliance with Sharia law or Islamic finance is an important factor for the success of any business

dealing with finance. Blossom offers microloans for the needy in Indonesia. What sets Blossom apart from most other players is the platform. Blossom platform uses bitcoin as a background to enable investors from across the world to fund those who are looking for micro-loans. The company based out of South Jakarta, Indonesia was initially started in San Francisco by Matthew Joseph Martin. Matthew is an experienced developer who has previously worked with multiple fintech start-ups like Xoom and Boku before moving to Indonesia. He got the idea of creating a company which is a confluence of both Bitcoin and Islamic finance after converting to Islam in 2010 and he has been working on it to create Blossom since then.

<http://www.newsbtc.com/2015/05/16/a-sharia-compliant-bitcoin-platform-blossoms-in-indonesia/>

# Islamic Finance Bulletin

## Islamic microfinance unlocking big potential

The confluence of two strongly expanding industries, microfinance and Islamic finance, has seen rapid growth in the past years on the grounds that, according to banking studies, an estimated 70% of people living in Muslim-majority countries do not use formal financial services. Adding to this is widespread poverty in many Muslim countries, with close to 650mn Muslims worldwide currently living on less than \$2 per day.

As a result, Islamic microfinance is becoming an important instrument to fight such poverty, especially in rural areas, and improve access to financial services. This goes in line with Islamic finance

emerging from a market niche to a powerful industry worldwide that saw more than 500 *Shariah*-compliant financial institutions having been created over the past 30 years in about 75 countries. The entire Islamic finance industry's current market size is around \$2tn, and the sector continues to grow at about 15% per year.

[https://www.zawya.com/story/Islamic\\_microfinance\\_unlocking\\_big\\_potential-ZAWYA20150506042148/](https://www.zawya.com/story/Islamic_microfinance_unlocking_big_potential-ZAWYA20150506042148/)



Islamic microfinance is centered on just a few countries, with the top three Indonesia, Bangladesh and Afghanistan accounting for 80% market share globally. However, in the recent past demand has also grown in countries such as Jordan, Algeria, Syria, Sudan, Somalia, Yemen, Azerbaijan, Kazakhstan, Pakistan, Mauritius and even Bosnia and Herzegovina, where between 20% and 40% of people cite religious reasons for not accessing conventional microloans.

## Thomson Reuters Releases Global Islamic Asset Management Outlook Report

Thomson Reuters, the world's leading source of intelligent information for businesses and professionals, published the findings of its Global Islamic Asset Management Outlook at the World Islamic Funds Conference in Bahrain. According to the report

- Global Islamic funds under management expected to reach \$77 billion by 2019
- Demand for Islamic funds projected to reach \$185 billion by 2019
- Malaysia & Saudi Arabia hold 69% of total

Islamic funds under management

- *Sukuks* & equities are the most preferred asset types for investors & asset managers

<http://thomsonreuters.com/en/press-releases/2015/05/thomson-reuters-releases-global-islamic-asset-management-outlook-report.html>

*Asset Management Outlook at the World Islamic Funds Conference in Bahrain.*

*According to the study, Islamic funds are a US\$60 billion industry forecasted to grow to at least US\$77 billion by 2019, while the latent demand for Islamic funds is projected to grow to US\$185 billion.*

## UAE banks discuss plan for centralized Islamic finance board

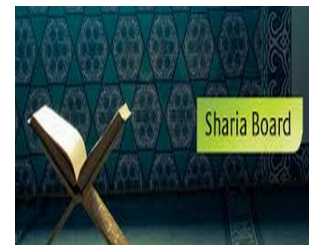
The United Arab Emirates' bank industry association has discussed a proposal to create a centralized sharia board that would monitor Islamic banking, which could spur the growth of the industry.

The central bank had proposed setting up a Higher Sharia Authority that would complement and oversee the work of sharia boards at individual Islamic banks. This proposal was addressed at a recent meeting of the UAE Banks Federation, the association said on Sunday.

"Representatives of the Federation's Islamic banking committee are working closely with the Central Bank on guidelines for the establishment of the new body that will help to ensure consistency

amongst all UAE Islamic banks in their development of new structures and products," it said.

<http://www.reuters.com/article/2015/05/24/emirates-islam-finance-idUSL5N0YF05320150524>



Sharia boards are groups of scholars who rule on whether financial instruments and activities are religiously permissible. Gulf countries have in the past tended to follow a loose, decentralized model of Islamic finance regulation, leaving much of it to sharia boards at individual banks and finance firms.

# Islamic Finance Bulletin

## Upcoming Events (June-October 2015)

<u>Name</u>	<u>Location</u>	<u>Date</u>
IFN Europe Forum 2015 <a href="http://redmoneyevents.com/main/event.asp?IFN=Europe2015&amp;">http://redmoneyevents.com/main/event.asp?IFN=Europe2015&amp;</a>	Luxembourg	10 Jun
6th Asia Islamic Banking Conference <a href="http://finance.fleminggulf.com/6th-Asia-Islamic-Banking-Conference">http://finance.fleminggulf.com/6th-Asia-Islamic-Banking-Conference</a>	Malaysia, Kuala Lumpur	12-13 Aug
Global Ethical Finance Forum (GEFF) <a href="http://meglobaladvisors.com/geff-2015/?gator_td=dIBma3JsGM6qj7ub%">http://meglobaladvisors.com/geff-2015/?gator_td=dIBma3JsGM6qj7ub%</a>	United Kingdom, Edinburgh	01-02 Sep
IFN Kuwait Forum 2015 <a href="http://redmoneyevents.com/main/event.asp?IFN=Kuwait2015&amp;">http://redmoneyevents.com/main/event.asp?IFN=Kuwait2015&amp;</a>	Kuwait, Kuwait City	05 Oct
2nd Turin Islamic Economic Forum (TIEF) <a href="http://www.tief2014.org/en/">http://www.tief2014.org/en/</a>	Italy, Turin	19-20 Oct

## Recent Publications On Islamic Finance

<u>Name</u>	<u>Link</u>
Thomson Reuters Global Islamic Asset Management Outlook 2015	<a href="https://www.zawya.com/ifg-publications/Islamic_Asset_Management_2015-260415070526E/">https://www.zawya.com/ifg-publications/Islamic_Asset_Management_2015-260415070526E/</a>
Islamic Financial Services Industry Stability Report 2015	<a href="http://www.ifsb.org/preess_full.php?id=301&amp;submit=more">http://www.ifsb.org/preess_full.php?id=301&amp;submit=more</a>
Islamic Capital Markets: principles and practices	<a href="http://www.sc.com.my/post_archive/isra-and-sc-launch-joint-publication-on-islamic-capital-markets-principles-and-practices/">http://www.sc.com.my/post_archive/isra-and-sc-launch-joint-publication-on-islamic-capital-markets-principles-and-practices/</a>
An Overview of Islamic Finance	<a href="http://www.imf.org/external/pubs/ft/wp/2015/wp15120.pdf">http://www.imf.org/external/pubs/ft/wp/2015/wp15120.pdf</a>

# Islamic Finance Bulletin

## Description of Data:

**Dow Jones Sukuk Index:** The Dow Jones Sukuk Index is designed to measure the performance of global Islamic fixed-income securities—also known as sukuk. The index includes U.S. dollar-denominated investment-grade sukuk issued in the global market that have been screened for Shari'ah compliance according to the index methodology. The index was created as a benchmark for investors seeking exposure to Shari'ah-compliant fixed-income investments.

The Dow Jones Sukuk Index follows the same consistent, quantitative methodology as the Dow Jones Islamic Market™ (DJIM) indices, which are monitored to ensure their continued adherence to Shari'ah principles.

**Bloomberg USD Emerging Market Composite Bond Index:** The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value weighted index engineered to measure USD fixed-rate securities issued in emerging markets as identified by Bloomberg. Emerging market issuers can be found at function EMWH. The major components of the index are the Bloomberg USD Emerging Sovereign Bond Index, Bloomberg USD Emerging Market Corporate Bond Index, Bloomberg USD Investment Grade Emerging Market Bond Index and Bloomberg USD High Yield Emerging Market Bond Index. To be included in the index a security must have a minimum par amount of 100MM.

**LIBOR USD 6 Month: London - Interbank Offered Rate - ICE Benchmark Administration Fixing for US Dollar.** The fixing is conducted each day at 11am & released at 11.45am (London time). The rate is an average derived from the quotations provided by the banks determined by the ICE Benchmark Administration. The top and bottom quartile is eliminated and an average of the remaining quotations calculated to arrive at fixing. The fixing is rounded up to 5 decimal places where the sixth digit is five or more.

**Dow Jones Islamic Market World Index:** The Dow Jones Islamic Market World Index is a global index of companies that meet Islamic investment guidelines. The index is quoted in USD.

**Dow Jones Global Index:** The index measures the performance of stocks that trade globally, targeting 95% coverage of markets open to foreign investment. It is float market cap weighted. It is quoted in USD.

**MSCI World Islamic Index:** The MSCI World Islamic Index is a free-float weighted equity index. It was developed with a base value of 1000 as of May 31 2007.

**MSCI World Index:** The MSCI World Index is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1969. MXWO includes developed world markets, and does not include emerging markets.

**MSCI Emerging Markets Index:** The MSCI Em (Emerging Markets) Index is a free-float weighted equity index.

**Bloomberg Takaful Index:** Bloomberg Takaful Index is a capitalization-weighted index of all globally listed Takaful-recognised companies. Takaful is an Islamic term meaning mutual support, which is the basis of the concept of insurance or solidarity among Muslims. This is a form of insurance based on mutual assistance. The index was developed with a base level of 100 as of April 15, 2009.

**Murabaha Deposit Rates:** Murabaha Deposit An agreement that refers to the sale and purchase transaction for the financing of an asset or project where by the costs and profit margin (mark-up) are made known and agreed by all parties involved. The settlement for the purchase, which can be done in cash or in installments, will be specified in the agreement. Use all prices available in the terminal and updated within the last three working days. Banks that do not price for more than 3 days are excluded from the daily calculation. Islamic Market Reference Rate is calculated by Bloomberg using contributed rates from several local and international banks. Reference rates are calculated by taking the average bid & ask of the contributing banks, after eliminating the 4 highest and 4 lowest values.

## Glossary Of Key Terms

<i>Ijara</i>	This is a lease contract wherein the Bank (lessor) leases the property to the customer (lessee) in return for a rental payment for a specified financing period. The Bank promises to transfer the title of the property to the customer at the end of the financing period, if all payments have been made.
<i>Mudaraba</i>	Trustee finance contract: One party contributes capital while the other contributes effort or expertise; profits shared according to a predetermined ratio; investor not guaranteed a return and bears any financial loss; no fixed annual payment; financier has no control on how venture is managed.
<i>Murabaha</i>	Sale with agreed mark-up: Financing purchase of assets for a profit margin; asset purchased on behalf of client and resold at a pre-determined price; payment could be lump sum or in installments; ownership of asset remains with bank till full payments made
<i>Musharaka</i>	Partnership; equity participation contract: Both parties contribute capital; profits shared by a pre-determined ratio, not necessarily in relation to contributions; losses shared in proportion to capital contributions; both parties share and control how investment is managed; each partner liable for the actions of the other
<i>Shari'ah Board</i>	An independent body set up by an Islamic bank with the mandate of ensuring that the Islamic bank achieves and maintains the mandate of Shari'ah compliance.
<i>Sukuk</i>	An Islamic financial certificate, similar to a bond in Western finance, that complies with Shari'ah, Islamic religious law. Because the traditional Western interest paying bond structure is not permissible, the issuer of a sukuk sells an investor group the certificate, who then rents it back to the issuer for a predetermined rental fee. The issuer also makes a contractual promise to buy back the bonds at a future date at par value.
<i>Salam</i>	<i>Salam</i> is a sale whereby the seller undertakes to supply some specific goods to the buyer at a future date in exchange of an advanced price fully paid at spot. The contract of Salam creates a moral obligation on the Salam seller to deliver the goods. The Salam contract cannot be cancelled once signed.
<i>Takaful</i>	The term ' <i>takaful</i> ' is derived from an Arabic word which means solidarity, whereby a group of participants agree among themselves to support one another jointly against a defined loss. In a <i>takaful</i> arrangement, the participants contribute a sum of money as wholly or partially <i>tabarru'</i> (donation) into a common fund, which will be used for mutual assistance for the members against a defined loss or damage, according to the terms and conditions of the <i>takaful</i> .
<i>Istisna'</i>	<i>Istisna'</i> is the kind of sale where a commodity is transacted before it comes into existence. It means to order a manufacturer to manufacture a specific commodity for the purchaser. If the manufacturer undertakes to manufacture the goods for him with material from the manufacturer, the transaction of <i>istisna'</i> comes into existence. But it is necessary for the validity of <i>istisna'</i> that the price is fixed with the consent of the parties and that necessary specification of the commodity (intended to be manufactured) is fully settled between them.
<i>Wakala</i>	<i>Wakala</i> is the agency contract which is used widely in Islamic Finance. The applications ranging from brokerages services in permissible activities, like certain stocks, as well as to be the agent in a <i>Murabaha</i> transaction. The client, who wants to be financed, acts as agent of the bank to acquire the asset, then sold to him on credit installments. Agents can be compensated for their assignment with a fixed, variable or performance model, which is frequently used to influence pay outs and cash flows in financial engineering.