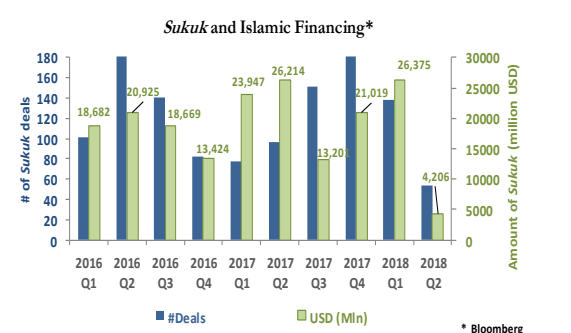
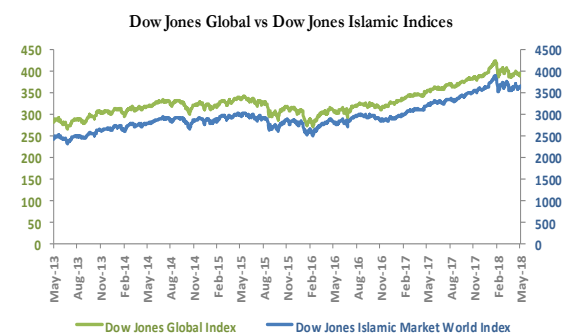
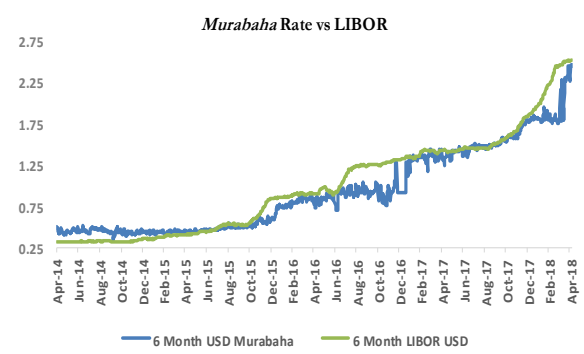
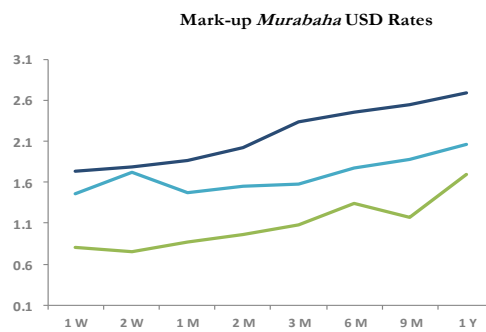


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	Value	MoM	QoQ	YoY
	5/8/18	4/8/18	2/8/18	5/8/17
<b>Equity</b>				
Dow Jones Islamic Index	3655.30	▲2.14%	▲3.61%	▲13.33%
Dow Jones Global Index	395.24	▲1.47%	▲1.95%	▲11.24%
MSCI Islamic Index	1323.28	▲2.41%	▲3.22%	▲8.78%
MSCI World Index	2096.86	▲2.15%	▲2.54%	▲10.52%
MSCI Emerging Market Index	1139.55	▼-1.93%	▼-2.02%	▲15.68%
<b>Fixed Income</b>				
LIBOR 6 Month	2.5202	▲0.048	▲0.494	▲1.083
<i>Murabaha</i> USD 6 Month	2.4600	▲0.681	▲0.683	▲1.118
Dow Jones <i>Sukuk</i> Index	98.99	▼-1.38%	▼-2.39%	▼-3.50%



\* Bloomberg

## Islamic Finance Body IFSB to Develop Financial Inclusion Guidance

The Malaysia-based Islamic Financial Services Board (IFSB) said it will develop a technical note on financial inclusion, aiming to widen the reach of sharia-compliant banking to low-income consumers.

The technical note from the IFSB, one of the main standard-setting bodies for Islamic finance, will cover regulatory issues including Islamic microfinance, financial technology and integration of social finance.

The guidelines will be funded by a grant from the Saudi-based Islamic Development Bank [ISDBA.UL] to be implemented over the next three years, the IFSB said during its annual conference being held in Kuwait.

After years of fast growth, Islamic finance is under pressure to build stronger credentials on social responsibility by catering to farmers, small traders and poor households.

Guidance from the IFSB could help address financial inclusion in majority-Muslim countries where less

wealthy people have stayed out of the formal banking system.

Tens of millions of people in the Muslim world lack bank accounts because of poverty, poor education and a lack of infrastructure, but religious reasons are also an important element.

Prior research from the International Monetary Fund has shown that religious concerns play a role in keeping people out of the financial system in countries such as Afghanistan, Iraq and Tunisia.

**Source:** [Reuters](#)



## Islamic Development Bank Finalizing 4-year Turkish plan

The Islamic Development Bank (IsDB) Group is working on finalizing a four-year partnership strategy plan with Turkey, according to the bank's director general of country relations and services.

"We aim to invest in various sectors that will fuel growth such as infrastructure, energy, transportation, and education," Walid Abdelwahab told Anadolu Agency, fresh off an exporters and investors summit in Turkey's Aegean province of Izmir co-organized by the IsDB Group and Turk Eximbank.

Abdelwahab stated that the last member country partnership strategy for Turkey was successfully implemented and had intensified the bank's support to the country.

"Since inception of the IsDB Group, total financing for the bank in Turkey is \$11.2 billion. In the last four years alone, we invested \$5.4 billion in many productive sectors, which is 50 percent of the total financing," Abdelwahab said.

He underlined that the strategy plan identifies which sectors require support rather than using a demand basis, thus sharpening the bank's focus.

"We see a lot of hope and optimism," he said.

Abdelwahab said the bank aims to support value chain development in Turkey to enable the country to become more competitive through linking it with global

value chains.

He added that the bank appreciates Turkey's "very significant" experience with high-speed railways.

"We are preparing a documentary about Turkey's experience with high-speed railways. We will try to share it with other member countries of the IsDB Group that are interested in this technology," he said.

Abdelwahab stressed that the bank would continue investments in renewable energy through the Development Bank of Turkey and Industrial Development Bank of Turkey.

"Turkey has a very ambitious target of reaching 30 percent of renewable energy by 2023, and we are very supportive of that ambition," he said.

**Source:** [Salaam Gateway](#)



Photo Credit: yenisafak.com

## CIBAFI Holds Third Annual Global Forum in Istanbul

The General Council for Islamic Banks and Financial Institutions (CIBAFI), the global umbrella of Islamic financial institutions held its third Global Forum last week with the theme of “The New Face of Financial Services: Disruptions, Opportunities and the New Normals”. The Forum is organized in partnership with the Banking Regulation and Supervision Agency of Turkey (BRSA) at Raffles Istanbul Hotel in Istanbul, Turkey.



Photo Credit: aa.com.tr

The two-day Forum gathered stakeholders from the Islamic finance industry, multilateral development institutions, international and national regulatory bodies, policy-makers, and academia to discuss the key emerging issues within the industry. The Forum was attended by more than 350 delegates from over 37 countries.

The event was opened by welcoming remarks of Mr. Abdelilah Belatik, Secretary General, of CIBAFI; Mr. Abdulhameed M. Aboumoussa, Governor of Faisal Islamic Bank of Egypt & Deputy Chairman of CIBAFI; Mr. Melikşah Utku, General Manager of Al Baraka Türk Participation

Bank and Chairman of the Participation Banks Association of Turkey; and H.E. Mehmet Ali Akben, Chairman, Banking Regulation and Supervision Agency, Turkey.

The Regulatory Keynote session was moderated by Mr. Adnan Ahmed Yousif, President and Chief Executive, Al Baraka Banking Group, Kingdom of Bahrain. The session focused on main thoughts as to how regulatory agencies remain relevant in a changing economic environment, where roles and existence of regulators is being questioned by the disruptions in the financial sector.

The Forum witnessed the launch of two reports, namely CIBAFI Global Islamic Bankers' Survey 2018 and Global Takaful Survey 2018, where CIBAFI Secretary General Mr. Abdelilah Belatik during the launch reported that having actual perception of Islamic Banks CEOs from 103 Islamic Banks from 31 countries measured on year by year basis is by itself an achievement. This year CIBAFI also stepped into the Takaful sector by starting to measure the industry growth drivers and future outlook.

**Source:** [Reuters](#)

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## Islamic Finance Body AAOIFI Issues Standard for Agency Contracts

The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) has issued its first standard covering *wakala*, or investment agency contracts, in a bid to harmonize practices for the widely used structure.

The guidance aims to address the use of *wakala* in areas such as over-the-counter instruments, treasury placements and Islamic bonds.

*Wakala* is common as a standalone product, such as in letters of credit, but AAOIFI opted to focus its standard on more complex instances where it is combined with other contracts.

Islamic banks use *wakala* for both their short and long-term funding needs, and in recent years have incorporated the contract into hybrid versions of Islamic

bonds, or sukuk.

In *wakala*, one party acts as agent (*wakil*) for another, managing assets under certain investment conditions.

The AAOIFI standard focuses on this principal-agent relationship, addressing the related accounting treatment and financial reporting of the assets.

AAOIFI's standard states the relationship does not transfer ownership rights of the assets to the agent, so transactions should be kept off-balance sheet for the agent, while the principal should account for the assets in its accounting books.

The standard will be effective for the financial reporting periods beginning in 2020, although earlier adoption is permitted.

**Source:** [Reuters](#)



## Afghanistan Approves First Full-fledged Islamic Bank

Afghanistan's central bank has granted a license to the Islamic Bank of Afghanistan (IBA), the first lender in the country to apply the interest-free principles of Islamic finance in all its operations, a senior bank official said.

The IBA was previously known as Bakhtar Bank and operated under a conventional banking license since it was acquired by Azizi Bank in 2009.

The central bank, Da Afghanistan Bank, granted the license on April 9 after the IBA completed the conversion of its balance sheet, said Faizan Ahmed, chief financial officer and member of the IBA management board.

The bank began converting its assets and deposits in January to adhere to religious principles that include bans on gambling, alcohol and interest-bearing debt.

The IBA had paid-up capital of \$25 million and held \$187 million of deposits as of December, offering its services across a network of 59 branches.

Afghanistan's banking sector is small, but Islamic finance is seen as an important

feature that could help attract more people into the financial system. IBA estimates that only 5.7 percent of the population has dealings with the banking sector.

The bank hopes to capitalize on its branch network - the third largest in the country - to double its balance sheet over the next two years, Ahmed said.

A majority of households in the country of 30 million shun interest-based finance, partly for religious reasons.

The central bank issued a regulatory framework for Islamic banking in 2015 to address this, with rules based on standards issued by the Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions.

IBA's current products include a *mudaraba* savings account, a form of investment management partnership, as well as financing products based on *ijara*, an installment-based leasing contract.

It plans to introduce wealth management products and launch new digital banking services in coming months, Ahmed added.

**Source:** [Reuters](#)



Photo Credit: alamy.com

## GCC Islamic Banks to See Stability in 2018

Barring any geopolitical risks, Islamic banks in GCC countries should see their financial profiles stabilize through 2018, said S&P Global Ratings in a recent report.

S&P anticipates that Islamic banks' asset quality will stabilize by midyear 2018, with the exception of Qatari banks, where it sees some increasing risks.

"We expect GCC Islamic banks' total asset growth will remain in the low single digits over the next 12-24 months, after stabilizing at about 4 per cent for the GCC system in 2017. We consider the three main risks to GCC Islamic banks' financial stability are regional geopolitical tensions, higher cost of risk, and lower profitability," said S&P Global Ratings Global Head of Islamic Finance, Mohamed Damak.

Cost of risk for Islamic banks are expected to

rise, due to the adoption of International Financial Reporting Standard 9 and Financial Accounting Standard 30. This increase, combined with the impact from the introduction of value-added tax, will result in a dip in the profitability of Islamic banks in the next two years, suggests S&P.

GCC Islamic banks included in S&P's sample saw growth in customer deposits recover slightly in 2017, a trend that is expected to continue. This was the result of stabilized oil prices and the channeling of higher public-sector deposits to the banking systems. Additionally, these banks continue to display strong capitalization by international standards, with an unweighted average tier 1 ratio of 17.6 per cent at the end of 2017.

**Source:** [Gulf News](#)



Photo Credit: constructionweekonline.com

## Pakistan Regulator to Adopt New Islamic Finance Standards

Pakistan's capital market regulator will introduce seven new standards covering a variety of Islamic finance transactions, as it fast-tracks the adoption of rules to help streamline industry practices.

The Securities and Exchange Commission of Pakistan (SECP) said it had opened a two-week public consultation period for the standards, which are to be issued by the Accounting and Auditing Organisation for Islamic Financial Institutions

(AAOIFI).

The sharia standards cover areas including indices, liquidity tools, capital protection and agency agreements, and follow three other AAOIFI standards adopted in February.

The SECP published governance rules last month to cover sharia-compliant companies and securities, and it has also amended rules governing the issuance of Islamic bonds, or sukuk.

**Source:** [Reuters](#)



Photo Credit: [dailytimes.com.pk](#)

## Morocco to Issue its First Sukuk in 2018

Morocco will finally launch its first *sukuk* after Bank Al Maghrib (BAM) and the board of Higher Council of Ulemas' top experts gave approval to five participatory banks to set up their Islamic finance subsidiaries one year ago, Bloomberg reported.

"The government is conscious that we must develop and complete as soon as possible the operational, legal, and regulatory aspects of Islamic finance," Hicham Talby, who heads the financial sector department at the Ministry of Finance, said.

As Morocco's first sovereign debt is taking some time to be issued, Talby expects the process to be much faster for the next

three planned sukuk issues," though he declined to comment on the exact timing of the first issuance.

The government originally adopted legislation allowing Islamic banking and insurance in January 2014, with local reports suggesting that there were plans to establish the first fully operating Islamic bank by the end of 2016.

Furthermore, the country's banking experts believe establishing Islamic banks would pave the way for a new finance industry, open doors for more investment opportunities within and outside the region, and reinvigorate Morocco's sluggish economy.

**Source:** [Morocco World News](#)



Photo Credit: [worldfinance.com](#)

## Saudi Arabia Issues New Sukuk to Finance Budget

Saudi Arabia said it has completed the issuance of a new *sukuk* sale to help finance its budget deficit as the Kingdom accelerates borrowing despite rising oil prices.

The finance ministry's debt management office said it raised \$1.3 billion from the sale of *sukuk* in three tranches maturing in five, seven and 10 years.

This was the second *sukuk* sale this year following a \$4.8-billion issue it completed last month.

Last week, the kingdom also raised \$11 billion in the sale of conventional bonds. In early March, it struck a deal to re-finance a \$10-billion loan and added another \$6 billion to it.

The OPEC kingpin exporter has posted

huge budget deficits since oil prices crashed about four years ago and resorted to the debt market to finance the shortfall.

It posted budget deficits totaling \$260 billion since 2014 and is projecting a shortfall of \$52 billion for this year, according to official figures.

The government debt level, both domestic and international, rose from 1.6 percent of gross domestic product in 2014 to 17.3 percent of GDP last year reaching \$118 billion.

During the same period, the government has drawn down some \$245 billion from its fiscal reserves.

Oil income made up more than 90 percent of public revenues before oil began to slide.

**Source:** [Arabian Business](#)



Photo Credit: [en.publika.md](#)

## New Publications

Environmental Impact in Islamic Finance	<a href="#">Download Publication</a>
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## Upcoming Events (May—July 2018)

Barcelona Scientific Forum of Islamic Finance	Barcelona, Spain	9-11 May 2018	<a href="#">Event Details</a>
World Islamic Economic Forum	Astana, Kazakhstan	4 July 2018	<a href="#">Event Details</a>
Islamic Business Management Conference	Kuala Lumpur, Malaysia	4-5 July 2018	<a href="#">Event Details</a>
12th International Takaful Summit London	London, United Kingdom	10-11 July 2018	<a href="#">Event Details</a>

## 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 whereby 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
<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 <i>Shari'ah</i> compliance.
<i>Sukuk</i>	An Islamic financial certificate, similar to a bond in Western finance, that complies with <i>Shari'ah</i> , Islamic religious law. Because the traditional Western interest paying bond structure is not permissible, the issuer of a <i>sukuk</i> 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 <i>Salam</i> creates a moral obligation on the <i>Salam</i> seller to deliver the goods. The <i>Salam</i> 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.

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