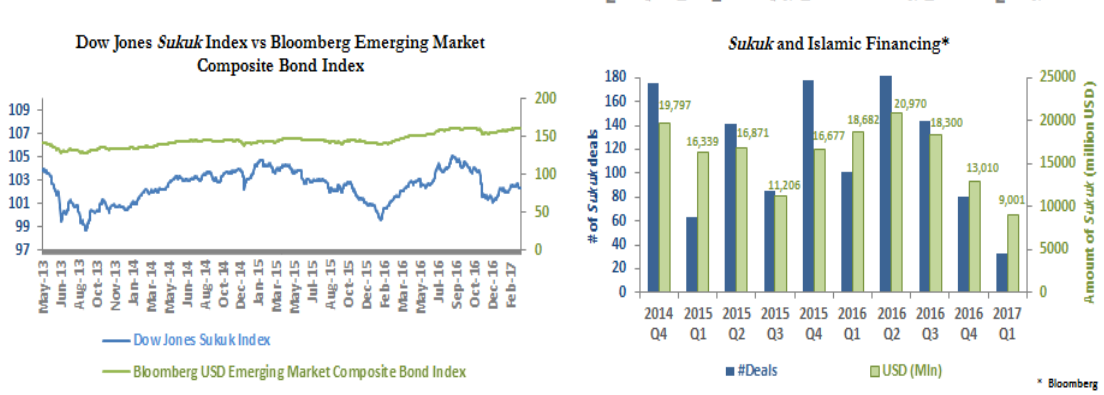
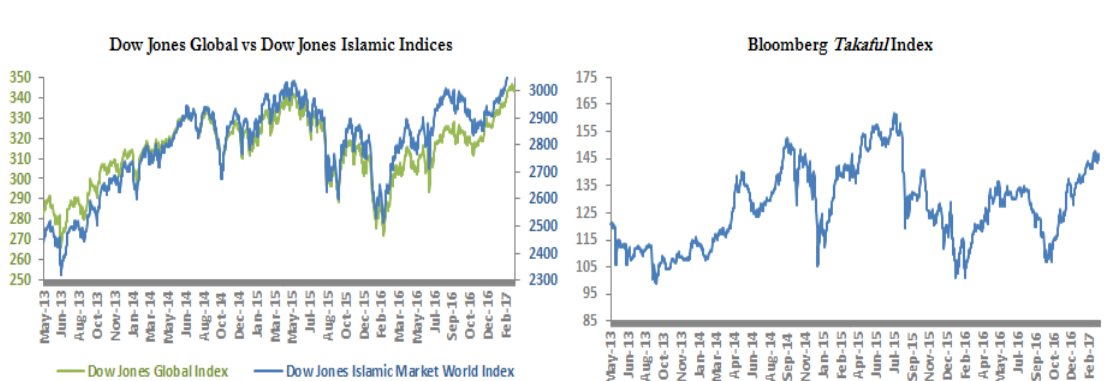
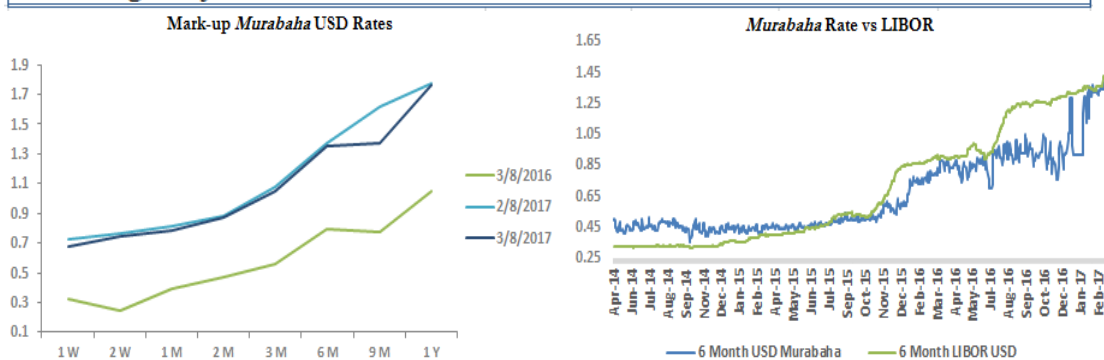


New Report Outlines Actions to Leverage Islamic Finance for Development	2
IMF Eyes Islamic Finance Stability, Warns of Hybrid Risks	2
The World Bank, Islamic Development Bank and the World SME Forum Jointly Organized the Inaugural Global Islamic Economics and Finance Forum	3
The World Bank, BRSA and TKBB jointly organized a Workshop on “Innovative Product Development in Islamic Banks”	3
Morocco Paves Way for Islamic Finance Industry	4
UAE Islamic Banking Assets Reach \$142billion	4
Islamic Finance Picks up Pace in Russia	4
Hong Kong Gears Up to be First Dollar Sovereign <i>Sukuk</i> Issuer of 2017	5
Oman to Build <i>Sukuk</i> Yield Curve with Second Dollar Paper and Strong 2017 Corporate Pipeline	5
Algeria Plans Interest-free Local Bond to Offset Dive in Energy Income	5
Upcoming Events	6
New Publications	6
Glossary	7

	Value	MoM	QoQ	YoY
	3/8/17	2/8/17	12/8/16	3/8/16
Equity				
Dow Jones Islamic Index	3077.57	▲ 2.07%	▲ 5.99%	▲ 13.74%
Dow Jones Global Index	343.15	▲ 1.77%	▲ 4.86%	▲ 15.85%
MSCI Islamic Index	1182.31	▲ 1.56%	▲ 4.31%	▲ 12.39%
MSCI World Index	1840.57	▲ 2.13%	▲ 5.00%	▲ 15.49%
MSCI Emerging Market Index	936.50	▲ 1.61%	▲ 6.50%	▲ 18.83%
Fixed Income				
LIBOR 6 Month	1.4210	▲ 0.083	▲ 0.128	▲ 0.523
Murabaha USD 6 Month	1.3506	▼ -0.023	▲ 0.436	▲ 0.560
Dow Jones <i>Sukuk</i> Index	102.26	▼ -0.28%	▲ 0.61%	▲ 0.69%
Bloomberg Emerging Market Bond Inde	159.92	▲ 0.66%	▲ 3.52%	▲ 10.73%
Insurance				
Bloomberg <i>Takaful</i> Index	144.65	▲ 2.20%	▲ 6.63%	▲ 22.44%



* Bloomberg

New Report Outlines Actions to Leverage Islamic Finance for Development

The World Bank Group and the Islamic Development Bank published the first Global Report on Islamic Finance, which details the prospects for the global Islamic finance industry and its potential to help reduce worldwide income inequality, enhance sharing prosperity, and achieve the Sustainable Development Goals.

Subtitled “A Catalyst for Shared Prosperity?”, the report provides an overview of trends in Islamic finance, identifies major challenges hindering the industry’s growth, and recommends policy interventions to leverage Islamic finance for promoting shared prosperity.

Islamic finance advocates for just fair and equitable distribution of income and wealth. With a strong link to the real economy as well as risk-sharing financing, Islamic finance can help improve the stability of the financial sector. It can also bring into the formal financial system people who are currently excluded from it due to cultural or religious reasons. Unlike conventional finance, Islamic finance is based on risk-sharing and asset-based financing. By making people direct holders of real assets in the real sector of the economy, it reduces their aversion to risk.

The report outlines a theoretical framework to analyze Islamic economics and finance based on four fundamental

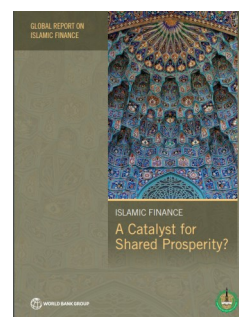
pillars:

- Institutional framework and public policy
- Prudent governance and accountable leadership
- Promotion of an economy based on risk sharing and entrepreneurship
- Financial and social inclusion

The report notes, however, areas where policy interventions are needed to develop Islamic finance’s effectiveness and fulfill its potential in helping to reduce inequality.

Source: [World Bank](#)

Please click on the picture to download the Global Report on Islamic Finance.



IMF Eyes Islamic Finance Stability, Warns of Hybrid Risks

The International Monetary Fund plans to formally include Islamic finance into its surveillance framework, a nod to the fast-growing sector but noting risks posed by complex hybrid products that replicate conventional ones.

The IMF's executive board said it had adopted a set of proposals on the role it should play in Islamic finance, including providing policy advice as requests for technical assistance from national regulators grows.

The IMF said there has been significant progress in developing prudential standards for the sector, but gaps remain in areas such as deposit insurance and liquidity management.

A lack of high quality liquid assets, in particular sovereign Islamic bonds, have undermined Islamic banks' capacity to manage liquidity, interact with central banks, and develop money markets, the IMF said.

"This situation has given rise to Islamic banking practices that may achieve some liquidity management objectives but are inefficient and present risks."

A main concern rests with hybrid instruments like *murabaha*, a widely used cost-plus-profit arrangement, because these often mimic conventional loans which then expose Islamic banks to liquidity, market and even interest rate risks.

Such practices straddle the line between conventional and Islamic banking regulations, creating potential complex new risks and heightened financial stability concerns, the IMF said.

This stands at odds with the interest-free concept that Islamic finance extols, partly due to inconsistent regulation which has restricted the development of profit-and-loss sharing contracts.

The IMF wants to encourage more consistency among countries in applying Islamic finance rules and plans to develop a guidance note on Islamic banking.

Source: [Reuters](#)

Please click on the picture below to download the IMF Report.



The World Bank, Islamic Development Bank and the World SME Forum Jointly Organized the Inaugural Global Islamic Economics and Finance Forum

The World Bank, Islamic Development and the World SME Forum jointly organized the inaugural Global Islamic Economics and Finance Forum under the auspices of Oman Chamber of Commerce and Industry on 21st of February 2017, in Muscat, Oman. The theme of the Forum was “Simulating Growth & Employment: Can *Waqf* & SME Finance be the Catalyst?”.

The forum brought together practitioners, decision makers and experts to discuss strengthening Islamic finance and banking and consolidating the concepts of *Waqf*. Simulating growth and employment through SME finance and *waqf*, Islamic finance in the age of digital and financial disruption and innovation, challenges and opportunities for leveraging the potential of *waqf* were the session topics discussed in the one day event.

Forum participants included Dr Mahmoud Mohieldin, senior Vice President of The World Bank Group; Robert Koopman, Chief Economist and Director of the Economic Research and Statistics Division of the World Trade Organization; and Zamir Iqbal, head of the World Bank Global Islamic Finance Development Center.

Zamir Iqbal, Head of the World Bank Global Islamic Finance Development Center, Finance and Markets touched

on Islamic banking, which focuses on ‘*Waqf*’, Islamic finance and the development of small and medium enterprises, noting that there is a steady growth in the GCC countries, in the successful projects supported by the Islamic ‘*Waqf*’, stressing the attention of the World Bank to Islamic finance through the establishment of Islamic finance center in Turkey three years ago.

Dr. Tunc Uyanık, CEO of World SME Forum said that many countries in the world rely on small and medium enterprises in the gross domestic production by more than 50 percent, pointing to some of the challenges facing these institutions, represented in the way to access to markets, finance and necessary expertise and laws and others.



The World Bank, BRSA and TKBB jointly organized a Workshop on “Innovative Product Development in Islamic Banks”

The World Bank, Banking Regulation and Supervision Agency (BRSA) and Participation Banks Association of Turkey (TKBB) jointly organized a workshop on “Innovative Product Development in Islamic Banks” on 2-3 March 2017, in Istanbul, Turkey.

The objective of the workshop was to provide training to participants from Turkey on product innovation and development in Islamic banks. The workshop brought together various stakeholders and market practitioners from the Islamic finance industry in order to share their experience and insights on Islamic finance and product development.

Zamir Iqbal, head of World Bank Global Islamic Finance Development Center stated that “Participation banking has a very important role in the financial sector of Turkey. We hope that this sector grows further. The purpose of this particular workshop is to give an update on what is the current trend and developments in Islamic banking all over the globe and also help to give an idea on how other countries have worked on developing new and innovative tools.”

The general secretary of the Participation Banks Association of Turkey, Osman Akyuz, stated in his welcoming remarks that “The most criticized issue about Islamic banking

is the insufficiency and the scarcity of innovative products. This situation is due to the lack of studies on product development and the lack of sufficient cooperation and solidarity amongst Islamic banks in the world and also due to the unique feature of each country.

We hope that this workshop contributes to innovative product development and bring new developments to the sector. And we hope that these activities and events take place more often.”



Morocco Paves Way for Islamic Finance Industry

Morocco's central bank has approved the use of five types of Islamic banking transaction, giving a final regulatory nod for the country to launch an Islamic finance industry.



Photo Credit: me-

Islamic banks and insurers are setting up in Morocco after new legislation allowed them into the market, and the central bank has set up a central sharia board, a body of Islamic scholars, to oversee the sector.

The North African country long rejected Islamic banking because of concern about Islamist movements, but its financial markets lack liquidity and foreign investors, and Islamic finance could attract both of those.

In circulars published in the official bulletin over the weekend, Morocco's central bank said any Islamic transaction would be subject to preliminary approval by the sharia board, called the Sharia Committee for Participative Finance.

The central bank said it was allowing five

common types of transaction: *murabaha*, *musharaka*, *ijara*, *mudaraba* and *salam*. It also set regulations for conventional banks to open windows selling Islamic products.

It had given regulatory approval to three major Moroccan banks to open Islamic subsidiaries: Attijariwafa Bank, BMCE of Africa and Banque Centrale Populaire, as well as to smaller lenders Credit Agricole and Credit Immobilier et Hotelier.

The circulars lay down conditions and regulatory frameworks for banks to manage deposits, funds and investments under sharia principles, which ban interest and pure monetary speculation.

Morocco's government plans to issue its first Islamic bond in the domestic market in the first half of 2017; experts said that would stimulate business in the sector. However, parliament has yet to approve a bill regulating Islamic insurance.

Source: [Reuters](#)

UAE Islamic Banking Assets Reach \$142billion

The total Islamic banking assets in the UAE have increased to approximately AED520 billion in the past few years.



Photo Credit: corrs.com

Islamic banking' assets account for around 20 percent of AED2.6 trillion of the total assets of the state's banks and there are seven Islamic banking and financial institutions operating in the country.

UAE Islamic banking institutions account for

about 7 percent of the total assets of Islamic banking around the world which approximately amount to a total of US\$1.5 trillion. Islamic banking deposits increased by 42 percent over the past three years, compared to an 18 percent growth rate in conventional banking institutions, and lending by Islamic banks increased by 54 percent.

Source: [Zawya](#)

Islamic Finance Picks up Pace in Russia

Islamic finance is gaining momentum in Russia as the Islamic Corporation for the Development of the Private Sector (ICD), the private arm of the IDB, and the International Association of Islamic Business (IAIB) are exploring possible avenues for collaboration in enhancing business relations between entrepreneurs from Islamic countries and the Russian Federation.



The two institutions will look at introducing Islamic banking products in Russia by attracting banks operating with Shariah compliant principles and lobbying for changes in Russian banking legislation to incorporate Islamic banking. The Central Bank of Russia is currently studying proposals to remove existing impediments to the introduction of Islamic finance

in Russia's banking sector, and is working toward developing a more favorable regulatory, tax and legal regime.

Furthermore, the ICD and IAIB also reached an agreement to facilitate information and expertise exchange in order to develop effective cooperation, which may include organizing joint professional programs, market research, workshops, publications, study tours and assisting in the production and certification of Halal goods.

Russia has been making inroads over the last year as the country with around 20 million Muslims seeks to make Islamic finance more visible to cater to the growing demand.

Source: [IFN](#)

Hong Kong Gears Up to be First Dollar Sovereign *Sukuk* Issuer of 2017

After a hiatus of almost 20 months, Hong Kong is ready to return to the international *Sukuk* market, with its third sovereign dollar Islamic sale expected this month, also possibly the first global sovereign *Sukuk* offering of 2017.



Photo Credit: financiasia.com

The Hong Kong government is meeting potential investors across Asia, the Middle East and Europe beginning Monday the 13th February to attract prospective buyers for its Reg S USD *Sukuk*. The roadshow is being arranged by HSBC and Standard Chartered acting as joint global coordinators, joint lead managers and joint bookrunners as well as CIMB and National Bank of Abu Dhabi as joint lead managers and joint bookrunners.

Based on how well-received its previous two issuances were, it is likely that the investment grade paper by the 'AAA' sovereign would also generate significant interest from global investors starved of high-quality grade Shariah notes: its debut US\$1 billion *Sukuk* in 2014 was almost five times oversubscribed and achieved the lowest

spread for a US dollar bond in Asia excluding Japan (23bps over US Treasuries) while its subsequent offering, also for US\$1 billion, received twice the orders.

Hong Kong was part of the sovereign *Sukuk* rush of 2014 – a year marked by unprecedented participation of non-Muslim jurisdictions, including the UK and South Africa, in the global *Sukuk* landscape. However, unlike the other non-core market contenders, Hong Kong stood out as being the only one which followed up with a second sale the following year (both the issuances were also markedly larger than the rest).

The government has yet to reveal the size or structure of its *Sukuk* – although it is likely to be benchmark-sized like its other offerings. In terms of *Sukuk* type, it would be interesting to see if the financial center – one of the most competitive and sophisticated in the world – would once again display its flexibility and capability in structuring different Islamic transactions (the first *Sukuk* facility was based on *Ijarah* and the second on *Wakalah*) or resort to what it is familiar with.

Source: [IFN](#)

Oman to Build *Sukuk* Yield Curve with Second Dollar Paper and Strong 2017 Corporate Pipeline

Oman's *Sukuk* yield curve will widen this year as corporates and financial institutions experiment with different tenors, issuance sizes and profit rates in their 2017 *Sukuk* programs, amid government plans for a second sovereign international *Sukuk* facility; demonstrating a maturing Islamic finance market in the Sultanate which is the last among its GCC peers to embrace Shariah compliant finance.

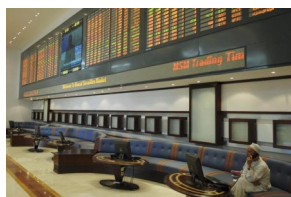


Photo Credit: islamicbankingmagazine.com

Conglomerate Golden Group and Meethaq Islamic Banking are readying themselves to tap the domestic Islamic capital markets this year having recently secured initial approval from the Capital Market Authority (CMA) to raise OMR200 million (US\$517.55 million) and OMR100 million (US\$258.77 million) respectively via *Sukuk*, adding flavor to the *Sukuk* pool: previous non-sovereign issuances were for OMR50

million (US\$129.39 million) and OMR150 million (US\$388.16 million).

“These *Sukuk* programs will be another first for Oman, having various issuance amounts, profit rates and maturity periods by just using one base prospectus. These various issuances will also contribute toward building benchmark yield curves and hopefully spur further issuances in the market,” said Sheikh Abdulla Salim Al Salmi, the executive president of the CMA.

Sheikh Abdulla also confirmed that the CMA is working on issuing a dedicated REIT fund regulation to cater to both Shariah compliant and conventional REITs in a bid to deepen its investment universe in line with the government's efforts to diversify the economy away from hydrocarbon and capture foreign investments.

Source: [IFN](#)

Algeria Plans Interest-free Local Bond to Offset Dive in Energy Income

Algeria plans to raise money from an interest-free local bond, using a model the government hopes will draw more participation from the public and help it offset a huge fall in its energy earnings.



Photo Credit: themiddleeastmagazine.com

The North African OPEC member has already cut public spending, introduced new taxes and reduced government subsidies on fuel to help it cope with the halving of its income from oil and gas due to a long slide in international energy prices.

Finance Minister Hadji Baba Ammi said that the new bond would not bear interest, which may help attract a greater number of Algerian buyers.

The minister said bondholders would receive a share in projects that the issue would finance as an incentive. But he did not give further details about the structure of the bond or how it would differ from *sukuk* or Islamic, interest-free bonds.

Source: [Reuters](#)

Upcoming Events (March-April 2017)

Sub-Saharan Africa: Islamic Finance Convention	Uganda	6 April 2017	Event Details
East Africa Islamic Economy Summit	Nairobi, Kenya	10-11 April 2017	Event Details

New Publications

World Bank—Islamic Development Bank, Global Report on Islamic Finance: Islamic Finance—A Catalyst for Shared Prosperity?	Download Publication
International Monetary Fund (IMF), Ensuring Financial Stability in Countries with Islamic Banking	Download Publication
Deloitte, Responsible investment: New thinking for financing renewable energy	Download Publications
Thomson Reuters-RFI Responsible Finance Report 2015	Download Publication

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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