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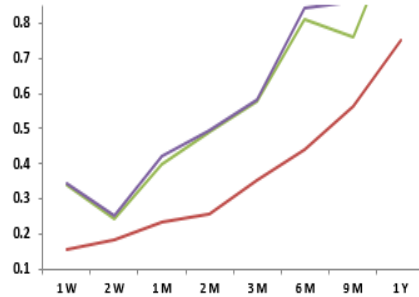
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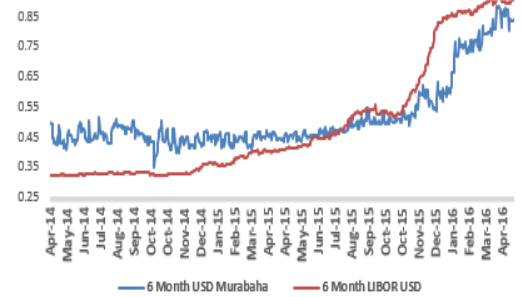
Issue 10, Apr. 2016

	4/18/2016	3/18/2016	1/18/2016	4/18/2015
	Value	MoM	QoQ	YoY
Equity				
Dow Jones Islamic Index	2858.16	▲ 2.29%	▲ 11.80%	▼ -3.85%
Dow Jones Global Index	310.61	▲ 1.37%	▲ 11.18%	▼ -7.24%
MSCI Islamic Index	1104.69	▲ 1.74%	▲ 12.20%	▼ -7.09%
MSCI World Index	1670.47	▲ 1.51%	▲ 10.33%	▼ -5.57%
MSCI Emerging Market Index	846.70	▲ 2.41%	▲ 20.37%	▼ -18.80%
Fixed Income				
LIBOR 6 Month	0.9019	▲ 0.011	▲ 0.049	▲ 0.499
Murabaha USD 6 Month	0.8416	▲ 0.032	▲ 0.078	▲ 0.400
Dow Jones Sukuk Index	102.74	▲ 0.77%	▲ 3.10%	▼ -1.42%
Bloomberg Emerging Market Bond Index	149.65	▲ 1.97%	▲ 7.90%	▲ 2.43%
Insurance				
Bloomberg Takaful Index	121.00	▲ 1.01%	▲ 19.65%	▼ -16.90%

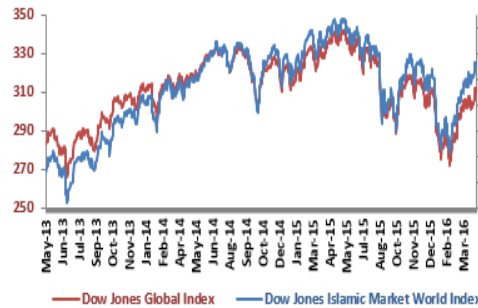
Mark-up Murabaha USD Rates



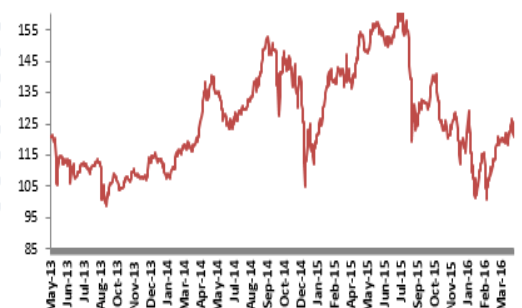
Murabaha Rate vs LIBOR



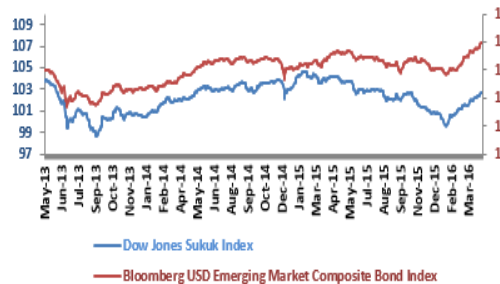
Dow Jones Global vs Dow Jones Islamic Indices



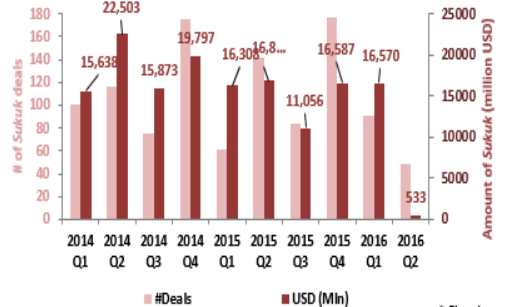
Bloomberg Takaful Index



Dow Jones Sukuk Index vs Bloomberg Emerging Market Composite Bond Index



Sukuk and Islamic Financing*



* Bloomberg

Islamic Finance Bulletin

The World Bank and Arab Monetary Fund (AMF) jointly organized a workshop on “The Development of *Sukuk* Markets”

The World Bank and Arab Monetary Fund (AMF) jointly organized a workshop on “The Development of *Sukuk* Markets” on April 10-14, 2016 in Abu Dhabi, United Arab Emirates. The workshop brought together more than 30 practitioners, decision makers and experts from 17 Arab countries which was the third in a series of training activities on Islamic finance agreed under the MOU between the Bank and the AMF.

Zamir Iqbal, Lead Financial Sector Specialist, Finance and Markets Global Practice at the World Bank highlighted in his welcoming remarks that the GCC presents opportunities for sovereign *Sukuk* markets given prevailing fiscal position of GCC countries. There are opportunities arising from needs for infrastructure financing. Adequate interventions such as developing the market infrastructure, having proper legal and tax environment for the structuring of the *Sukuk* and the SPV (Special Purpose Vehicle) laws are essential. In addition banks, especially after Basel III, are looking for high-quality, highly-rated *Sukuk*, which creates further opportunities. He added that the overall debt and capital market in the region needs to be strengthened with laws governing elements such as investor protection, and how to handle disputes and insolvency, among others.

Dr Saud Al-Braikan, director of the Economic Policy Institute, welcomed participants, highlighting the importance of developing the financial sector, noting that the most important characteristic of Islamic finance is a necessity that the financial transactions be linked to real economic activity of the real, as well as the need to share profit thus risk-sharing, leading to the promotion of financial stability.

He added that, “Islamic finance has become an increasingly integral part of the global financial system, and the rapid expansion witnessed by Islamic finance as a form of financial intermediation reflects undoubtedly its ability to cope with changing demand from individuals and companies and their ability to survive and grow in a more challenging environment pattern. This has encouraged many international companies to increase their participation in Islamic financial markets, especially with regard to instruments which are one of the leading Islamic financial industry products.”

He also noted the challenges facing the industry, including the need to establish money markets and interbank trading compliant with Islamic law, in order to help Islamic banks to manage their liquidity needs.

During the workshop a wide range of issues such as the regulation and supervision as well as legal, institutional and policy foundations of the *Sukuk* markets were discussed. Topics such as structuring and securitization as well as governance and risk management issues of *Sukuk* markets were discussed.

Key takeaways from the workshop were:

- The *Sukuk* market is growing fast, however, *Sukuk* issuances have recently declined due to a drop in oil prices, the slowdown in global economies, and decrease in development projects as well as slow-down in the Malaysian economy which dominates the *Sukuk* market.
- The funding of fiscal deficit and the need for infrastructure spending will create an opportunity for sovereign *Sukuk* issuances, especially in the case of GCC markets. Building a robust regulatory framework, establishing specific SPV laws, and creating an autonomous *Shariah* Board will deepen investor confidence and attract foreign investors.
- Limitations of the *Sukuk* market are lack of frequent sovereign issues, lack of long-term yield curve, absence of a secondary market, complexity of *Sukuk* structures, and lack of uniform interpretations across jurisdictions. These factors hinder the development of the *Sukuk* market.
- An important challenge facing the *Sukuk* market is the risk of uncertainty in the enforcement of *Sukuk* agreements, as the laws of many jurisdictions are unclear on the regulatory treatment of *Shariah* compliant structures.
- Increasing (retail) demand for Islamic financial services, global investors’ increasing familiarity with *Sukuk* instruments, increasing policy support from governments of Muslim countries, increasing standardization of unsecured *Sukuk* structures, and increasing ‘Islamic’ investment liquidity can be listed as the growth drivers of the *Sukuk* market.
- Development of institutional investors in the region would further help development of *Sukuk* market.



The workshop brought together more than 30 participants from 17 Arab countries.

Islamic Finance Bulletin

Case for Responsible Finance to Shape Social Outcomes



Dr. Zeti Akhtar Aziz, the Governor of Bank Negara Malaysia, speaks at the summit.

There is a compelling need for finance to have a greater role in shaping responsible behavior that underpins a stable and well-functioning economy and advances the goals of a progressive society and sustainable environment, says Bank Negara Malaysia Governor.

Finance, if not anchored to the aim of creating sustainable value in the real economy, would become inherently unstable and destabilizing to the ultimate goals of greater shared prosperity, she added.

The Responsible Finance Summit under the theme of “Unlocking Finance, Expanding Impact” was held from 30-31 March in Kuala Lumpur, Malaysia. The World Bank was represented at the

opening panel of the summit.

The summit highlighted emerging markets as the most important frontier for the expansion of the responsible finance industry. Discussions at the summit focused on four critical areas for the responsible finance industry: increasing footprint in emerging markets, enhancing and measuring the impact of the industry, furthering the depth and knowledge sharing between Islamic finance and responsible finance, and integrating responsible finance within global financial markets.

Source: [RFI Foundation](#)

Green Stock Funds Bloom in Malaysia as *Shariah* Investments Go Sustainable



Islamic asset managers are setting up sustainable stock funds in Malaysia as they tap demand for more environmentally conscious investing.

Saturna Sdn., a unit of the company that runs the biggest *Shariah*-compliant share fund in the U.S., is considering setting up a Kuala-Lumpur based vehicle that will invest in green shares, said Executive Director Monem Salam. BIMB Investment Management Sdn., aims to start a Malaysia-focused environmental plan in the third quarter, said Chief Executive Officer Najmuddin Mohd Lutfi.

Institutional funds are putting pressure on companies to be ESG-compliant, BIMB’s Najmuddin said. BIMB is targeting subscriptions of around 100 million ringgit (\$26 million) for its planned fund within the first year, he said, adding that

sustainable investments could rise to 20 percent of the total in Asia by 2020 due to strong demand.

For Islamic fund managers, sustainable investments are a natural fit as they already have screening systems and technology in place, said Saturna’s Salam.

“Islamic finance is most prominent here in Malaysia and the central bank has done a great job in building the ecosystem and infrastructure,” he said in a March 31 interview. “ESG is Islamic finance 2.0, as it’s about investing in companies that are making a positive impact.”

Source: [Bloomberg](#)

First Islamic bank opens in Russia



Russia's first Islamic banking centre, operating under the principles of Southeast Asia and Middle East partnership funding, opened in Kazan on Thursday. At a time when Western funding is closed to Russia, it could now get more investment from Muslim countries.

The bank will function according to Islamic principles as a subsidiary of Tatarprombank, one of the bank’s founders announced.

The bank aims to encourage investment from Islamic countries in Russia and will also sign an agreement with the Saudi Arabia-based Islamic Development Bank.

“We are living through difficult times. Difficult economic circumstances force us to look for new ways. Affiliate banking is new to us. We have to form customer service, which would, above all, be in accordance with Russian banking legislation and not contradict Islamic banking,” said the president of Russia’s Republic of Tatarstan Rustam Minnikhanov.

The center will focus on banking services for individuals, firms and foreign investors.

Source: [RT](#)

Islamic Finance Bulletin

Islamic insurance sees double-digit growth

The *takaful* — Islamic insurance — sector has seen double digit growth, but remains underdeveloped compared to the Islamic finance industry, the World Takaful Conference heard on Monday.

“Takaful is a key pillar within the Islamic ecosystem,” said Abdullah Mohammad Al Awar, chief executive officer of Dubai Islamic Economy Development Centre (DIEDC) in his opening keynote address.

“Although a quantum leap cannot be expected in the *takaful* industry within a year, there have been a lot of strategic developments which will pave way for the growth of

Takaful within the Islamic finance landscape.”

Salmaan Jaffrey, chief business development officer at Dubai International Finance Centre, said Islamic insurance was getting wider acceptance in non-Islamic economies. “This growing momentum is expected to continue and expand its reach into emerging markets in the MEASA [Middle East, Africa, South Asia] region,” he said.

“Our goal as a leading financial hub is to create a dynamic Islamic financial system that will support this growth and contribute to the overall development of our economy.”

Source: [Gulf News](#)



Japan enters Shariah-compliant corporate financing in Mideast



Bank of Tokyo-Mitsubishi UFJ (BTMU), through its newly established Dubai branch, has become the first Japanese lender to provide *Shariah*-compliant corporate financing through an overseas branch after respective regulations have been loosened by Japan’s Financial Services Agency last year. The bank said it is issuing a \$200mn loan to a unit of Saudi Arabian national mining company Ma’aden, a Riyadh-based diversified mining firm active in gold-base metals mining and the infrastructure industry.

BTMU, launched an overseas branch in October last year in the Dubai International Financial Center with an Islamic window after receiving permission from the Dubai Financial Services Authority, a first for Japanese banks. The bank is currently preparing a number of Islamic products such as de-

posits, loans and trade finance solutions with an initial focus on commercial loans and trade finance services, leveraging its existing client base of government-related entities in the entire Gulf Cooperation Council (GCC) region, according to Shichito Tobari, BTMU’s Regional Head for the Middle East and General Manager of the Dubai branch.

The bank is also taking part in *Shariah*-compliant syndicated loans, credit that is provided by a group of lenders and is administered by one or more commercial or investment banks known as lead arrangers. For such syndications, BTMU can provide between \$50mn to \$200mn in financing, said Tobari.

Source: [Gulf Times](#)

Islamic Pensions to Spur Growth as Indonesia Over-60s to Triple



Indonesia is set to allow *Shariah*-compliant pension funds, a boost to its waning Islamic finance industry as the nation’s population over 60 is forecast to triple by 2050.

Insurers and asset managers will be permitted to market retirement plans that comply with Islamic principles and will have the option of converting existing funds into *Shariah* vehicles, according to a proposal released last month by the Financial Services Authority. With some of the lowest financial literacy levels among major Asian economies, Indonesia has just \$16 billion of private pension fund assets.

Shariah retirement plans will deepen the Islamic finance market in Indonesia by spurring *sukuk* sales, according to PricewaterhouseCoopers LLP, which would aid growth in *Shariah* banking assets that slowed to 4 percent in 2015 from levels just shy of 50 percent at the beginning of the decade. The United Nations predicts the population of Indonesia, which has the most Muslims in the world, will swell to 322 million by 2050 and over 60s will triple to 62 million.

Source: [Bloomberg](#)

Islamic Finance Bulletin

ICD launches \$300 mln *sukuk*



Islamic Corporation for the Development of the Private Sector (ICD) has launched a \$300 million five-year *sukuk* that should price later on Wednesday, a document from lead managers showed.

The transaction seems to have struggled to gain traction with investors, having initially been earmarked to price as early as Tuesday and sized as a benchmark offering -- traditionally understood to mean upwards of \$500 million.

ICD, a unit of Islamic Development Bank, has

"retained a portion of the transaction", the document said without elaborating.

The issuer has also set pricing at the wide end of the 125-130 basis points over midswaps guide range given on the previous day, according to the document from arrangers on Wednesday.

Source: [Zawya](#)

Oman announces new *sukuk* regulation



Photo Credit: CMA

The Capital Market Authority (CMA) of Oman

The Capital Market Authority (CMA) of Oman announced its new *sukuk* regulation, which includes stipulation on establishing a trustee structure and an LLC company as a special purpose vehicle for issuing *sukuk*.

The regulation, effective from 13th of April, also allows structure of the *sukuk* subject to the approval of respective Sharia Supervisory Board issuer and the choice of the board is left to the issuer.

The regulation made rating optional for the issuer and there is no restriction on the *sukuk* amount to be raised based on the company's capital, said a CMA release.

The new *sukuk* regulation will provide clarity

and transparency to the market players, while providing protection to investors in a *sukuk* transaction. In addition, it has been drafted to provide flexibilities and spur innovation for the market players.

In a short span of three years, besides the establishment of two Islamic banks and six Islamic windows, the Islamic financial market in Oman has seen the launch of the new Muscat Securities Market (MSM) Sharia Index with 30 Sharia-compliant listed companies on the MSM, three Sharia-compliant investment funds, the first Oman sovereign *sukuk* and also the first corporate *sukuk*, and the establishment of two *takaful* operators including the issuance of the new *takaful* law.

Source: [Times of Oman](#)

Iran's Ministry of Finance has issued 5 trillion rials (\$145 million at the free market exchange rate) of lease-based Islamic bonds, expanding the range of the government's funding tools and providing a much-needed pricing benchmark for corporate issuers.

Iran paves way for corporates with lease-based Islamic bonds

The deal is the first time that Iran's government has issued *sukuk* using an *ijara* format, selling them through the country's over-the-counter securities market, known as Fara Bourse.

The four-year *sukuk* were listed on March 16 and pay a nominal rate of 18 percent, according to Fara Bourse data. The proceeds will be used to settle debts owed by the government to Ayandesaz Pension Fund and Mahan Air, according to Novin Investment Bank, which arranged the transaction.

While officials have said foreigners are permitted to buy Iranian bonds, foreign portfolio investment in Iran is still very small, so all or

almost all of this month's *sukuk* issue is likely to be held by domestic investors.

In the wake of the lifting of economic sanctions against Iran in January, authorities are rolling out a series of initiatives to develop the country's capital markets and reduce local firms' reliance on loans from a debt-laden banking sector.

The government has announced plans to issue 60 trillion rials worth of Islamic Treasury bills this year, after a maiden sale in September.

Source: [Zawya](#)

Islamic Finance Bulletin

Upcoming Events (Apr-June 2016)

Islamic Microfinance and Social Responsibility	Saudi Arabia, Jeddah	27-28 Apr	
Global Islamic Finance Forum	Malaysia, Kuala Lumpur	10-12 May	Conference Details
Seminar on Islamic Finance - The Real Economy and the Financial Sector	Spain, Madrid	23-24 May	Conference Details
2016 London Sukuk Summit	United Kingdom, London	25-26 May	Conference Details
World Bank-IFSB-Turkish Treasury Conference : Realising the Value Proposition of Takāful Industry for a Stable and Inclusive Financial System	Turkey, Istanbul	30-31 May	Conference Details

New Publications

IIFM Sukuk Report (5th Edition) A Comprehensive study of the Global Sukuk Market	Download Report
Finance Forward World Takaful Report	Download Report
“Shariah Minds in Islamic Finance” by Datuk Dr Mohd Daud Bakar	View Book

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 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 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 'takaful' 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 takaful arrangement, the participants contribute a sum of money as wholly or partially tabarru' (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 takaful.
<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.

Contact Info:
Ayse Nur Aydin
+90 212-385-3445
aaydin@worldbank.org