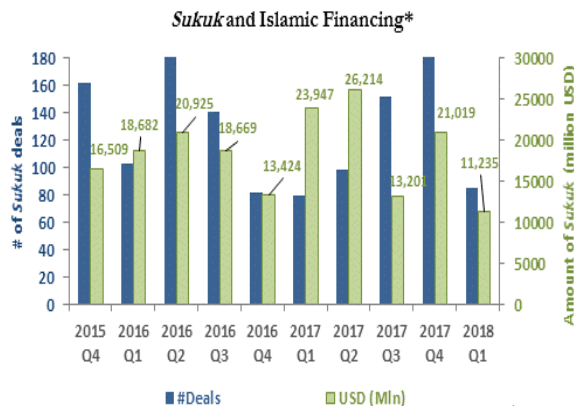
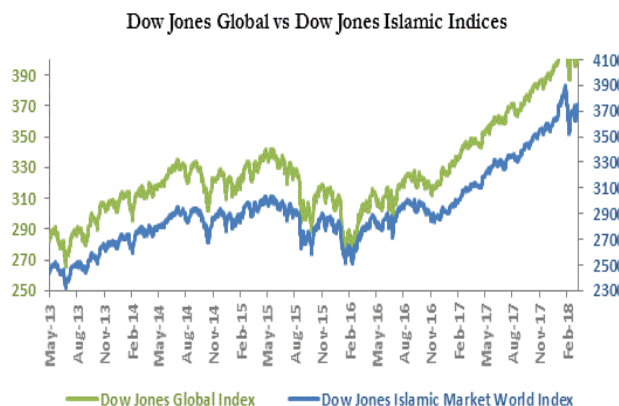
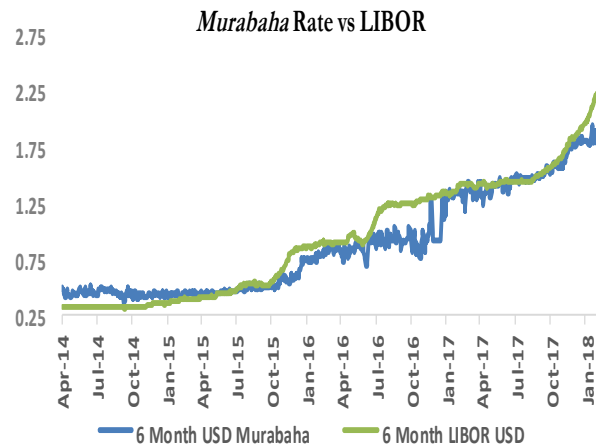
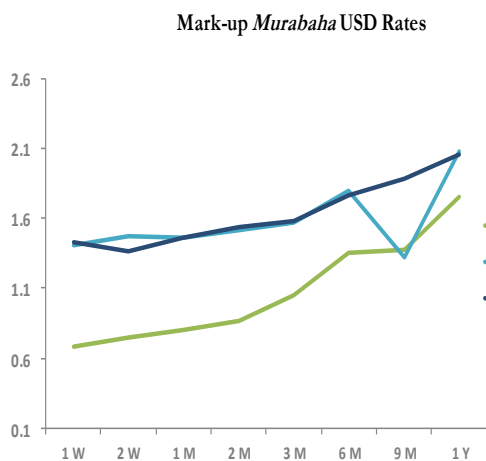


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	Value	MoM	QoQ	YoY
	3/12/18	2/12/18	12/12/17	3/12/17
<b>Equity</b>				
Dow Jones Islamic Index	3758.82	▲4.90%	▲4.82%	▲21.43%
Dow Jones Global Index	408.16	▲4.13%	▲4.31%	▲18.58%
MSCI Islamic Index	1328.88	▲2.53%	▲0.94%	▲12.21%
MSCI World Index	2149.32	▲3.54%	▲3.16%	▲16.44%
MSCI Emerging Market Index	1207.23	▲4.67%	▲8.53%	▲30.35%
<b>Fixed Income</b>				
LIBOR 6 Month	2.2686	▲0.220	▲0.521	▲0.843
<i>Murabaha</i> USD 6 Month	1.7625	▼-0.038	▲0.091	▲0.412
Dow Jones <i>Sukuk</i> Index	100.39	▼-0.51%	▼-2.07%	▼-1.50%



\* Bloomberg

## Bank of England to Offer Islamic Liquidity Tool More Widely

The Bank of England plans to offer a proposed sharia-compliant liquidity tool to a wider range of financial institutions beyond Islamic banks to boost demand, a senior official said.

London has long sought to position itself as a global hub for Islamic finance, aiming to attract business from core centres in the Middle East and Southeast Asia.

The central bank has been working on a fund-based deposit model that would help Islamic lenders meet regulatory requirements for liquid asset buffers.

But the tool will also be available to institutions whose articles of association incorporate sharia compliance, Arshadur Rahman, manager in the bank's sterling markets division, said during an industry conference at the London Stock Exchange.

Such institutions may include Islamic mortgage firms, Islamic insurance firms and Islamic leasing firms, although the Bank did not specify whether these would be eligible for the new tool.

Offering the product more widely would allow the

Bank to “future proof” the facility by ensuring there is adequate demand, said Rahman.

While there is no fixed date for the launch of the facility, the bank will work on its legal documentation and risk hedging aspects this year, he added.

The facility will be based on an agency contract known as *wakala* and would be backed by high quality liquid assets.

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



Photo Credit: telegraph.co.uk

## Kazakhstan Financial Hub Eyes Sovereign *Sukuk*, Central Sharia Board

Kazakhstan's financial centre expects the government to issue Islamic bonds, or *sukuk*, in coming months as part of efforts to develop Islamic finance business in the central Asian country, an official said.

Final legislative changes to allow issuance of sovereign *sukuk* are nearly complete, alongside registration of a special purpose vehicle by the Ministry of Finance, said Alibek Nurbekov, head of the Islamic finance department at the Astana International Financial Center (AIFC).

The AIFC, an economic zone modelled on Dubai's International Financial Center, is the centrepiece of the former Soviet republic's plans to become a regional financial hub.

“Issuance of sovereign *sukuk* is planned in the first half of 2018 in total up to \$300 million dollars,” Nurbekov said.

The sale would follow *sukuk* issued by the Development Bank of Kazakhstan in 2012, a deal that raised 240 million ringgit (\$61.51 million) via the Malaysian market.

A central sharia board would be established in the first half of the year, said Nurbekov, while rules covering Islamic insurers and a fund for Islamic endowments

are also planned.

Islamic banks have traditionally used internal sharia boards to ensure the religious compliance of their products, but a centralised model is gaining favour across the industry.

In December, the AIFC approved a set of regulations which are aligned with standards from the Islamic Financial Services Board, a global industry body based in Malaysia.

Around three quarters of Kazakhstan's population of 17 million are Muslim, but development of Islamic finance has been slow partly due to regulatory hurdles.

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



Photo Credit: <http://napoli.consolatokazakhstan.it>

## Pakistan Drafts Governance Rules for Islamic Firms, Securities

Pakistan's capital market regulator has drafted governance rules that cover sharia-compliant companies and securities, the latest government initiative aimed at developing the country's Islamic finance industry.



The move by the Securities and Exchange Commission of Pakistan (SECP) marks the first time a regulator has defined comprehensive requirements for companies that deem themselves to be compliant with Islamic principles.

Regulators across Asia and the Middle East, such as Malaysia and Bahrain, have typically focused their attention on Islamic banks, insurance firms and their financial products, but rarely ventured into corporations.

The rules represent a “quantum leap forward in cementing Islamic financial services, sharia-compliant businesses and instruments”, the regulator said.

Areas covered include certification of companies and securities, screening criteria and disclosure requirements.

The proposed rules, which are now open to public consultation, would help bring standardisation and transparency in the practices of sharia-compliant businesses, the SECP said

The absence of a regulator-imposed governance framework has resulted in con-

cerns raised around the adherence level of companies that claim to be Islamic, said Syed Abubakr, sharia board member of Emaan Islamic Banking, a unit of Silk Bank.

“The draft regulations bring clarity on many of the issues which used to be considered grey areas and were subject of hot debate.”

Such concerns have been raised in markets, including the United Arab Emirates, where a firm has claimed its debt no longer complies with Islamic principles.

Public confidence on sharia-compliant companies could increase because of the SECP rules, while also supporting industry training and academic programmes, Abubakr added.

Pakistan's Islamic banking sector has seen moderate growth, it accounts for 13.7 percent of the country's total banking deposits as of September, up from 13.3 percent a year earlier.

Last month, the SECP adopted three sharia standards from the Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), a global standard-setting body.

In November, it approved a proposal for a sharia-compliant trading counter at the Pakistan Stock Exchange, as well as regulations covering sharia advisers.

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

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## Dubai Exchange to Launch Islamic Spot Gold Contract

The Dubai Gold and Commodities Exchange (DGCX) plans to launch a new sharia-compliant spot gold contract by the end of March, aiming to tap demand for bullion from Islamic investors in the Middle East.



Photo Credit: emirates247.com

The DGCX said it had appointed INTL FCStone as the market maker for the contract, which is physically backed by gold and the first of its kind to be listed on an exchange in the region.

A number of sharia-compliant gold products have been launched since last year, after the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions issued rules covering the use of bullion.

The DGCX and Saudi conglomerate Ayedh Dejem Group started developing the contract in August of last year, which has now been certified by Islamic finance consultancy Amanie Advisors.

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

## Islamic Development Bank Launches \$500m Fund to Support Development Start-ups

The Islamic Development Bank (IDB) – the Jeddah-based multilateral development bank with a subscribed capital of \$33 billion – is launching a new fund which will provide seed money to innovative start-ups and SMEs, helping them implement development projects related to the UN’s Sustainable Development Goals.



Photo Credit: thenational.ae

The IDB’s new Transform fund, which has a target capital of \$500 million, will run in tandem with a new online hub called Engage, designed to connect innovators to each other and assist them in developing their ideas.

Dr Bandar Hajjar, President of the IDB, said that the Engage platform has been created in recognition of the crucial role that science and technology play in accelerating progress towards the UN’s Sustainable Development Goals.

“This is the first [hub] of its kind, and it will be connected with the globe as a whole, to benefit from the revolution of science, technology and innovation,” he

said.

Both the platform and the Transform fund will focus on projects related to six Sustainable Development Goals, namely greater food security, healthier lives, inclusive and equitable education, sustainable management of water, access to affordable and clean energy, and sustainable industrialization across the developing world.

The new fund will ensure that innovators, start-ups and SMEs with the best ideas get access to financing for those projects, Dr Hajjar said.

It will provide up to \$50,000 to \$100,000 for individual projects, as well as funding partnerships between researchers and entrepreneurs that will tackle the world’s most pressing development challenges.

Ahead of the fund’s launch, senior IDB officials met with SMEs and NGOs driving development change in local communities in countries including the UAE, Turkey, Egypt, Morocco, Indonesia and Senegal.

**Source:** [The National](#)

## Making the Case for *Sukuk* in London

There is a “real opportunity to realise the potential” of Islamic finance and build “a truly global marketplace” starting from the UK, said Islamic Development Bank (IDB) Group president Dr Bandar MH Hajjar.

Outlining his case, he said the prolonged double-digit growth suggested that Islamic finance and *sukuk* are now performing strongly on the global stage.

Total *sukuk* issuances grew from US\$85 billion (RM331.5 billion) in 2016 to almost US\$100 billion in 2017 — showing that, although the international market is in its nascent stages, there is enormous potential for growth, he added.

“The *sukuk* market represents a key component of the Islamic financial system, which has grown at a double-digit rate for the last decade and reached US\$3.5 trillion last year. Yet de-

spite this growth, the sector has traditionally been seen as little more than a niche activity within western economies,” he said in an article which appeared in City AM.

He was drumming up support for *sukuk* in particular, and Islamic finance in general, as a run up to IDB’s *Sukuk* Conference 2018 taking place in London.

Bandar, a former Saudi Arabian minister of hajj and minister of culture and information, said IDB’s funding plan for the first half of 2018 is estimated at US\$2.5 billion, the largest since the bank’s inception.

He noted that a benchmark-sized *sukuk* issue will soon be launched subject to market conditions, with the proceeds to go to support infrastructure, education and health projects across its 57 member nations.

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



Photo Credit: thenational.ae

## Green, Islamic Investors Find Common Ground with Indonesian *Sukuk*

A first sale of green Islamic bonds by Indonesia could help open the door for more crossover deals across Asia, as religious and environmentally-minded investors find a middle ground in the *sukuk* funding format.



Photo Credit: downtoearth.org.in

Indonesia became the first Asian sovereign to sell green *sukuk*, raising \$1.25 billion via a five-year deal, alongside a \$1.75 billion 10-year *sukuk*.

Proceeds for the green *sukuk* will be used on eligible projects, ranging from renewable energy to waste management.

The deal is a positive step for the *sukuk* market and more issuance are to be expected in the future to meet demand, said Monem Salam, President of Malaysia-based investment firm Saturna Sdn Bhd.

“The next phase will be when a company actually does one, that will have more traction from investors as there is a lack of product out there.”

Indonesia’s *sukuk* was based on an agency contract known as *wakala* and also incorporated a green framework assessed by the Centre for International Climate and Envi-

ronmental Research (CICERO), a non-profit which specialises in green finance.

Such a convergence of investment principles could widen the appeal of *sukuk* beyond Asia and the Middle East to include ethical investors in Western countries.

Asia is an important growth market for green bonds and *sukuk*, with the Indonesian deal expected to kick off the national market, said Harald Lund, senior advisor at CICERO.

Such potential is coupled with a global trend of ethical investors wanting more transparency in their investments, he added.

More transactions might be needed to fully test the appetite of green investors for *sukuk*, as Indonesia’s green *sukuk* saw stronger takeup from regional investors.

Islamic investors received a 32 percent allocation for the five-year green *sukuk*, with 33 percent going to U.S. and European investors.

This compared to a 24 percent allocation for Islamic investors in the 10-year *sukuk* deal, with 54 percent going to U.S. and European investors.

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

## Albaraka Turk Raises \$205 Million via Tier 1 *Sukuk*

Turkish Islamic lender Albaraka Turk has raised \$205 million worth of capital-boosting Islamic bonds, or *sukuk*, the first issuance in the country designed to qualify as Tier 1 capital, the bank said in a statement.

The lender said the perpetual *sukuk*, sold as a private placement and issued through an Irish-domiciled special purpose vehicle, would pay a 10 percent profit rate.

Islamic banks have been developing *sukuk* designed to meet Basel III banking standards being phased in around the world, helping them shift away from funding through retail deposits and short-term syndicated loans.

Albaraka Turk, a subsidiary of Bahrain-based Al Baraka Banking Group, previously secured a \$213 million murabaha-based

loan syndication in April of last year.

Turkey’s Islamic banks - known domestically as participation banks - have previously issued *sukuk* as Tier 2 capital.

The latest transaction could serve as a stepping stone for other banks to consider such hybrid instruments as a viable long-term capital raising tool, said Malek Temsah, assistant general manager of treasury and financial institutions at Albaraka Turk.

The *sukuk* uses a structure known as *mudaraba*, a type of investment management partnership in Islamic finance.

The lender appointed Standard Chartered Bank as global coordinator for the deal with Bank ABC, Emirates NBD, Qinvest and Noor Bank as lead managers.

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



Photo Credit: businessht.com.tr

### Upcoming Events (March—May 2018)

The 12th International Conference on Islamic Economics and Finance	Makkah, Saudi Arabia	18 March 2018	<a href="#">Event Details</a>
The 1st International Congress on Islamic Economy and Finance: The Past and the Present (ICOIEF'18)	Safranbolu, Turkey	28-30 Apr 2018	<a href="#">Event Details</a>
3rd Africa Islamic Finance Forum	Lagos, Nigeria	27-28 March 2018	<a href="#">Event Details</a>
2nd International Islamic Business Management Conference	Kuala Lumpur, Malaysia	8-9 May 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>taburru'</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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