



		Value	MoM	QoQ	YoY	
		6/17/16	5/17/16	3/17/16	6/17/15	
World Bank - IFSB - Turkish Treasury Jointly Held a Conference on "Realizing the Value Proposition of <i>Takaful</i> Industry for a Stable and Inclusive Financial System"	2	Equity				
		Dow Jones Islamic Index	2807.66	▲0.42%	▲0.79%	▼-4.86%
		Dow Jones Global Index	304.79	▼-0.13%	▼-0.26%	▼-8.02%
		MSCI Islamic Index	1087.16	▼-0.82%	▲0.30%	▼-7.09%
		MSCI World Index	1628.13	▼-0.82%	▼-0.91%	▼-7.60%
Global Call for Islamic Social Financing at World Humanitarian Summit	2	Fixed Income				
		LIBOR 6 Month	0.9429	▲0.031	▲0.055	▲0.491
		<i>Murabaha</i> USD 6 Month	0.8645	▲0.038	▲0.055	▲0.411
Global Institutions Call for Strong Islamic Banking Regulations and Supervision	3	Dow Jones <i>Sukuk</i> Index	102.63	▼-0.33%	▲0.76%	▼-0.06%
		Bloomberg Emerging Market Bond Index	151.88	▲0.53%	▲3.94%	▲5.60%
		Insurance				
		Bloomberg <i>Takaful</i> Index	131.75	▼-1.06%	▲10.25%	▼-14.33%
Algeria plans to launch Islamic finance, push banking reform	3					
Invest in Hong Kong to Capture Belt and Road Opportunities	3					
India next on the map for Islamic finance expansion	4					
Zero Tax on Indonesia's Bonds Seen Reviving Dying <i>Sukuk</i> Market	4					
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* Bloomberg

World Bank - IFSB - Turkish Treasury Jointly Held a Conference on “Realizing the Value Proposition of *Takāful* Industry for a Stable and Inclusive Financial System”

World Bank, Islamic Financial Services Board (IFSB) and the Undersecretariat of Treasury of the Republic of Turkey, jointly organized a conference on “Realizing the Value Proposition of *Takāful* Industry for a Stable and Inclusive Financial System” in Istanbul, Turkey on May 30-31, 2016.

The Conference started with welcoming remarks by Zamir Iqbal, Head of the World Bank Global Islamic Finance Development Center and Dr. Ahmet Genc, Deputy Undersecretary, Undersecretariat of the Treasury; and opening remarks of Mr. Jaseem Ahmed, Secretary-General of the IFSB. Keynote addresses were delivered by Mr. Ramazan Ülger, President, Insurance Association of Turkey and Mr. Ozgur Koc, President, Association of Participation Insurance.

There were more than 180 participants from public and private sector institutions, academicians and market practitioners, representing over 15 countries. The conference aimed to provide a platform for global practitioners and stakeholders in the *Takāful* (Islamic insurance) industry – including senior representatives of multilateral development institutions, insurance supervisors, *Takāful* and *Retakāful* undertakings and academics – to discuss selected emerging issues faced by this sector. Industry leaders and experts exchanged views on diverse set of topics ranging from current state of the industry, challenges for Islamic insurance and reinsurance, risk management practices, micro-*takāful*, and future state of the industry. The papers presented at the conference and the discussants’ reports are planned to be published in a joint IFSB-World Bank publication in due course.

Key takeaways from the conference were:

- In order to offer an alternative to the conventional insurance system more innovative products could be developed to offer services to the segment of the society currently not covered by conventional insurance.
- The World Bank’s involvement in the *Takāful* sector is to promote financial inclusion.
- The role played by the international standard setters for Islamic finance in harmonizing the regulatory frameworks between various jurisdictions is seen as a positive contributor to the stable growth of the industry.
- Rebranding should be considered with the purpose to inspire trust and integrity as well as offer more customer-centric products.
- The industry should create greater awareness using social media to reach a wider audience.
- With the push from the global financial crisis, *Takāful* operators have to apply a whole set of risk-sensitive capital requirements, governance and risk management principles as well as other prudential requirements.
- To achieve the true potential of this market, proper analysis should be undertaken in screening appropriate investors as well as determining the right *Takāful* model that benefits the key stakeholders, which are the participants.
- *Takāful*-specific regulation should be promulgated in various jurisdictions covering aspects such as solvency, risk management and governance rather than applying insurance regulation indiscriminately.
- New jurisdictions should come up with a suitable set of *Takāful* regulations tailored to the needs and product offerings in the relevant jurisdictions rather than replicating *Takāful* regulations from other jurisdictions.
- The *Retakāful* models currently in use need further refinement which would require more research and interactive dialogue between the *Takāful* and *Retakāful* undertaking, their regulators and other stakeholders.
- The industry is also expected to have filled the gap of financial inclusion through *Microtakāful* products, with the integration of *Zakah* (mandatory levy for social safety net) and *Waqf* (endowments) as risk mitigating instruments.
- Concerted efforts are needed by all the stakeholders to realize the potential that the *Takāful* industry has to offer for the benefit of individuals, corporates and governments.

Global Call for Islamic Social Financing at World Humanitarian Summit

The first UN World Humanitarian Summit was held in Istanbul on 23-24 May. About 5,200 participants, including 65 Heads of State and Government, 177 UN Member States, crises-affected communities, NGOs, the private sector and UN agencies attended the Summit, following three years of global consultations with 23,000 stakeholders world-wide to identify the key humanitarian challenges.

The special session on Islamic Social Finance, chaired by Sultan Nazrin Shah, the ruler of Perak, focused on securing commitments to diversify the humanitarian resource base and funding architecture to include new and emerging donors from faith-based funding, specifically from Islamic Social Finance.

He called on donors and implementing organisations to come together in a Grand Bargain and proposed governments to sign up to the idea of a solidarity levy and create a steady revenue stream for humanitarian action.

He also inaugurated a humanitarian *sukuk* and sought broad-based endorsement for use of Islamic Social Finance funds for humanitarian action, including the establishment of an autonomous, global Islamic fund for humanitarian assistance.

Dr Mahmoud Mohieldin, Senior Vice President, World Bank Group highlighted the initiatives taken by the World Bank in his speech at the special session.

Source: [theSundaily](http://theSundaily.com)



Photo Credit: theSundaily

Global Institutions Call for Strong Islamic Banking Regulations and Supervision



Photo Credit: Gulf News

A high level forum on Islamic Finance in the Arab region called for strengthening Islamic banking regulation and supervision.

It was organised by the Arab Monetary Fund and the International Monetary Fund, in collaboration with World Bank, Islamic Development Bank, Dubai Islamic Economy Development Center and the Dubai International Financial Centre.

"Islamic banking and financial services are playing a growing role in the Middle East economies. Thus it is in the interest of all stakeholders to strengthen these institutions in terms of regulations, institutional framework and supervision," said Abdul Rahman Al Hamidy, Director General and Chairman of the Board of the Arab Monetary Fund.

"Undoubtedly there is huge untapped potential for Islamic finance and Islamic banking within the Middle East region and beyond. The World Bank is

committed to all efforts in developing this segment of global financial services in terms of developing regulations, governance and prudential norms to realise the full potential," said Alfonso Garcia, Director of Finance and Markets Global practice at the World Bank Group.

As part of strengthening these institutions, Masoud Ahmad, Director of the Middle East and Central Asia Department at the International Monetary Fund, said attention should be paid to strengthen capital adequacy requirements, liquidity, risk management and cross border supervision while macro-prudential regulations should be introduced to strengthen and safeguard asset quality.

Source: [Gulf News](#)

Algeria Plans to Launch Islamic Finance, Push Banking Reform



Photo Credit: Dreamstime

Algeria is preparing to launch Islamic financial services as the OPEC member seeks new ways to raise money after a sharp fall in energy earnings

Boualem Djebbar, head of the state-run Banks and Financial Institutions Association, said plans to offer Islamic finance products were part of wider reforms aimed at modernizing the underdeveloped banking sector.

Algeria's outdated financial system has been a barrier to investment as the government seeks to diversify its economy away from oil and gas, which account for 60 percent of the state budget and 95 percent of the country's revenue from exports.

The plan to launch financial services that comply with Islamic law had not been previously an-

nounced. Djebbar did not give a time frame or details for the plan. But he stressed that a legal framework would need to be finalized before giving the green light to state banks.

The Islamic finance plan comes as Algeria tentatively seeks to broaden its sources of funding.

Mohamed Boudjelal, an Islamic finance expert and university professor in Algiers, said introducing sharia-compliant systems would help, since "part of the population refuses to deal with the conventional banking system."

Source: [Reuters](#)

Hong Kong Belt and Road to Boost Islamic Finance



Photo Credit: Wikimedia

China is taking forward the Belt and Road initiative, the national strategy for long term development. It is certain that the emerging markets along the routes are likely to become the new catalyst for the future development of Hong Kong.

Financial services will be in growing demand in emerging markets. Hong Kong is well-equipped to serve as a platform for financing and fund management for these markets. Hong Kong endeavours to facilitate the financing of infrastructure projects and provide a platform for pooling the efforts of investors, banks and the financial sector to offer comprehensive financial services for various infrastructure projects.

Hong Kong government also strives to set up a platform conducive to the development of Islamic fi-

nance. Efforts include enhancing the related market infrastructure, providing manpower training, and promoting the development of Islamic financial products and co-operation with other Islamic financial markets.

The success of the two *Sukuk* issuances by Hong Kong Government in 2014 and 2015 has demonstrated the ability of Hong Kong's financial market to support the launch of Islamic financial products and meet their financing needs. Hong Kong's Financial Secretary, Mr. John Tsang, said in his 2016/17 Budget speech in March 2016 that, Hong Kong shall seize the opportunity to issue the third *sukuk* in a timely manner.

Source: [Zawya](#)

India Next on the Map for Islamic Finance Expansion



Photo Credit: The National

Saudi King Salman welcomes India's prime minister Narendra Modi in Riyadh last month. During Modi's visit to Saudi Arabia, his delegation signed an extensive agreement with the Islamic Development Bank, which included its launch in India.

India is getting ready to become the next non-Muslim country where Islamic finance could set foot through a number of first-time initiatives in a nation with an estimated 180mn-strong Muslim population. As per latest news, Islamic Development Bank will launch its first Indian operation in the country's western state of Gujarat.

The IDB, which sees "attractive growth opportunities" for Islamic finance in India, will use its branch to be set up in Ahmedabad – which will have a credit line of \$100mn at its disposal – to support entrepreneurial companies and SMEs to facilitate the export of goods and services from India to the 56 member countries of the IDB.

The move comes after India's central bank, the

Reserve Bank of India, started paving the way for *Shariah*-compliant, interest-free banking in the country by delivering a proposal to amend the Banking Regulation Act of 1949 which currently does not allow Islamic banking in India and prevents banks from entering any profit-sharing and partnership contract, as well as forbids Islamic finance structures such as *murabahah* or the buying, selling or bartering of goods.

The Indian government's new strategy for financial inclusion aims at allowing commercial banks to open interest-free windows with, as a start, simple products like demand deposits, participation certificates and interest-free financing.

Source: [Gulf Times](#)

Zero Tax on Indonesia's Bonds Seen Reviving Dying *Sukuk* Market

Indonesia's plan to scrap a tax paid by bondholders on their interest payments looks set to inject new life into the nation's ailing Islamic finance industry.

"Zero tax will definitely encourage more participation by government funds in the Indonesian *sukuk* market," said Abas A. Jalil, CEO of consultancy Amanah Capital Group Ltd. "Having reputable government funds as investors in the *sukuk* market would create 'ride-along' interest among foreign investors."

The government is considering cutting the levy to zero for all local-currency sovereign bonds from 15 percent for domestic investors and 20 percent for international ones, director of debt portfolio and strategy at the finance ministry's budget financing

and risk management office. The move should mean holders of the securities would accept lower yields, compensating for the loss to the treasury from the tax reduction.

The proposal is the latest measure by Indonesia to revive Islamic banking after the industry shrank to 3.5 percent of total financial assets in March, from 5 percent a year earlier.

Indonesia needs to spend \$500 billion over the next five years to build roads, railways and power plants, and the state budget is only capable of contributing 30 percent. Much of the shortfall could be financed through bonds or *sukuk*, giving a boost to the Islamic finance industry.

Source: [Bloomberg](#)

Philippines May Join Asian Sovereigns Testing *Sukuk* Market

Plans by the Philippines to sell Islamic bonds could open a new source of financing for the incoming government of Rodrigo Duterte, but its success may depend on how generous Manila is on pricing and Middle East investors' response to new entrants in the market.

Governments across Asia are increasingly viewing *sukuk* as a viable funding option, with Hong Kong open to tap the market for a third time while Sri Lanka and the Maldives consider debuts.

The Philippines' incoming finance minister is looking at raising debt via *sukuk* and yuan borrowings to diversify its debt profile, but has yet to firm up plans.

A *sukuk* from these debutante countries could help widen a market that is dominated in Asia by sovereign deals from Malaysia and Indonesia, with Gulf region investors traditionally favouring investment-grade paper from familiar names.

"The Philippines would be a welcome addition to the global *sukuk* universe, offering another investment grade opportunity with differentiated credit fundamentals from many of the oil exporting sovereigns active today," said Dino Kronfol, chief investment officer of global *sukuk* at Franklin Templeton Investments.

The Duterte government would have to work on a legal framework to facilitate *sukuk*, which could prove difficult in a busy agenda for the incoming government, said Vicky Muenzer-Jones, partner in the Singapore office of Norton Rose Fulbright.

"Besides regulatory issues, the government will also have to decide what structure works best."

There are also new laws being drafted that would help promote Islamic finance domestically and this would further encourage *sukuk* issuance.

Source: [Reuters](#)



Photo Credit: SMH

Pakistan Plans Return to International Islamic Bond Market



Photo Credit: Samaa

Pakistan plans to raise 79.1 billion rupees (\$756 million) via sovereign Islamic bonds, or *sukuk*, in the fiscal year ending June 2017, as part of a budget aimed at shoring up the country's finances.

A potential sale of foreign currency *sukuk* would be the first since the government raised \$1 billion via five-year *sukuk* in late 2014, after opting out of the market last year.

The government also plans to raise 47.7 billion rupees in concessional loans from the Saudi-based Islamic Development Bank, below the 92.3 billion rupees raised from the multilateral institution in the 2015-2016 fiscal year.

This compares to government plans to raise 105.5 billion rupees via sovereign bonds in the new budget, up from 52.2 billion raised in the previous fiscal year.

In February, the central bank also expanded its issuance of local currency *sukuk*, auctioning 100 billion rupees worth of three-year paper, injecting a much-needed tool for the country's fast-growing Islamic banking sector.

Source: [Reuters](#)

Investors Seldom Had It So Good as *Sukuk* Sales Rise to Record

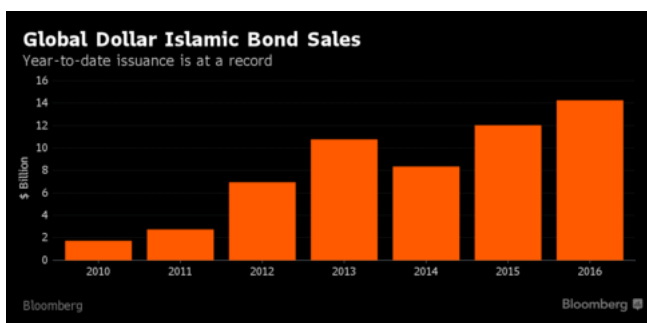
It's rarely been this good for Islamic bond investors. Not only have global-dollar sales climbed to \$14 billion this year, a record for the period and relief after a dearth of offerings in the second half of 2015, but some issuers are willing to pay up to attract Islamic cash. Indonesia, the biggest borrower, Dubai Islamic Bank PJSC and the emirate of Sharjah are among those paying more for funds.

Investors in *Shariah*-compliant debt can thank the drop in commodity prices, as governments that rely on raw material and energy exports grapple with budget gaps and tap their deposits at banks, pushing local-currency borrowing costs higher. While lending has declined across Asia, the Middle East and North Africa this year, dollar *sukuk* sales climbed 19 percent.

"There's a need for corporates to issue because the easy bank financing that they're used to is becoming tighter and that's not expected to change any time soon," said Bashar Al

-Natoor, the Dubai-based global head of Islamic finance at Fitch Ratings. Sales will probably continue after a "quiet Ramadan and summer," he said.

Amid a decline in oil prices bank liquidity has tightened across the six-nation Gulf Cooperation Council, which typically accounts for at least a third of dollar *sukuk* sales. Saudi Arabia's interbank interest rate has more than doubled in the past 12 months to the highest in more than seven years, while loans-to-deposit ratios at banks in the region are climbing, including in the United Arab Emirates and Qatar.



Against that backdrop, Islamic bond sales from the GCC climbed 21 percent this year. Dubai Islamic Bank, the U.A.E.'s biggest *Shariah*-compliant lender, paid 230 basis points above midswaps to raise \$500 million in a five-year *sukuk* in March, almost double the previous year. Sharjah's five-year

debt sold in January was offered at a 3.839 percent profit rate, compared with 3.764 percent on 10-year notes issued less than two years ago.

Source: [Bloomberg](#)

Islamic Finance Body IIFM Launches FX Forward Standards

The International Islamic Financial Market (IIFM) launched standard templates on Monday for *sharia* compliant foreign exchange forwards, the latest effort by the industry body to improve hedging practices in the sector.

Islamic finance is expanding beyond its core centres in the Gulf and Southeast Asia, prompting the need for more cost effective tools to manage foreign currency risks.

The Bahrain-based IIFM, a non-profit organisation which develops specifications for Islamic

finance contracts, outlined two templates to accommodate the main industry practices, although it expects one of them to eventually gain more favour.

The standards involve use of either one or two unilateral promises, known as *wa'ad*, which are committed separately by each counterparty, with the latter providing greater credit security.

The published standards are available on IIFM's website (www.iifm.net).

Source: [Reuters](#)



Upcoming Events (June-Sept 2016)

World Islamic Economic Forum	Indonesia, Jakarta	2-4 Aug	Conference Details
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New Publications

Luxembourg: the gateway for Islamic finance and the Middle East – EY – May 2016	Download Report
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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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