

		Value	MoM	QoQ	YoY	
		7/20/16	6/20/16	4/20/16	7/20/15	
Islamic Finance Widens Footprint in Maghreb Nations	2	Equity				
		Dow Jones Islamic Index	2937.24	▲3.44%	▲1.54%	▼-1.19%
		Dow Jones Global Index	317.69	▲2.50%	▲0.66%	▼-4.52%
UAE Banking Sector Witnessing Slowing Growth During Second Quarter, but Islamic Banks Holding Steadfast	2	MSCI Islamic Index	1144.45	▲2.59%	▲1.55%	▼-1.80%
		MSCI World Index	1698.72	▲2.08%	▲0.22%	▼-4.68%
		MSCI Emerging Market Index	868.12	▲5.72%	▲2.20%	▼-7.20%
		Fixed Income				
		LIBOR 6 Month	1.0028	▲0.072	▲0.099	▲0.538
		Murabaha USD 6 Month	0.9313	▲0.019	▲0.069	▲0.461
Turkey Names Islamic Banker as Treasury Undersecretary	2	Dow Jones Sukuk Index	103.79	▲1.06%	▲0.94%	▲0.82%
		Bloomberg Emerging Market Bond Index	157.17	▲3.00%	▲4.61%	▲8.55%
		Insurance				
World Nations Turn to Islamic Arbitration Services as Shariah Finance Goes International	3	Bloomberg Takaful Index	134.45	▲1.53%	▲7.28%	▼-13.80%
Australia Opens Avenues for Islamic Investors	3	Mark-up Murabaha USD Rates				
Oman's Growing Pivot to Islamic Finance	3	Murabaha Rate vs LIBOR				
Maybank Islamic takes on multiple roles to optimize Waqf assets	4	Dow Jones Global vs Dow Jones Islamic Indices				
Takaful Seizes 11% of Total Insurance Premiums in Egypt in 4 Months	4	Bloomberg Takaful Index				
Sukuk Issuance Remains Weak Despite Oil Drop	4	Dow Jones Sukuk Index vs Bloomberg Emerging Market Composite Bond Index				
Oman Sells \$500 mln 6-yr Privately Placed Sukuk	5	Sukuk and Islamic Financing*				
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IRTI Releases New Textbook Titled 'Fundamentals of Islamic Economics and Finance'	5					
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* Bloomberg

Islamic Finance Widens Footprint in Maghreb Nations

The predominantly Muslim countries in the Maghreb region of North Africa have set sight on introducing proper legal frameworks for Islamic finance and supporting and expanding the Islamic finance industry in a quest for more banking and funding options alternative to conventional finance. Among them are two nations that will launch Islamic finance regulations for the first time: Algeria and Morocco.

In Algeria, the state-run Banks and Financial Institutions Association plans to introduce a range of Islamic finance products under a new framework as part of the country's future strategy to reform and modernise the underdeveloped national banking sector. The move comes as the relatively oil-rich country struggles with dwindling hydrocarbon income from low oil prices and is looking for new sources for long-term financing of infrastructure and other public projects and to revive the country's industry as a whole.

Together with Islamic windows of conventional banks, the market share of Islamic financing in the loan market is estimated at around one quarter of all loans. With the new push, it is expected that more than half of Algeria's around 20 commercial banks could offer Islamic finance products in the mid-term.

Another North African country opening up for Islamic finance is Morocco, which so far has been the laggard in the regional industry. The country's central bank said on June 30 this year that it would start issuing approvals for at least ten Islamic banks, with the aim of allowing the first of them to begin business in early 2017. Respective legislation and a regulatory framework including a Shariah board at the central bank will be set up to oversee the new industry.

The central bank said it will first approve products based on *murabaha*, *musharaka*, *ijara* and *salam*, and later on *takaful*. The issuance of the first-ever government *sukuk* is expected later this year.

Source: [Gulf Times](#)

UAE Banking Sector Witnessing Slowing Growth During Second Quarter, but Islamic Banks Holding Steadfast



The economic slowdown in the GCC region as a result of lower oil prices and governments' spending cutbacks has cut into the growth of banks in the UAE during the second quarter of this year, but demand for Islamic banking facilities are growing.

According to the 'Credit Sentiment' report, demand for both business credit and personal financing slowed down across the country, particularly in Dubai, and this reflects the further tightening in credit standards, suggesting a "higher degree of risk aversion in extending financing, especially to SMEs".

Respondents of the survey also expect the further

tightening in credit standards will continue for the September quarter. However, 18.7% of senior credit officers surveyed said that demand for Islamic financing had "increased moderately" compared with the preceding quarter, and this appears to be evident as shown by the commendable performance of two Islamic banks in the UAE: Ajman Bank and Abu Dhabi Islamic Bank (ADIB). Out of the 242 survey participants, 22.5% said that demand for Islamic financing is expected to "increase moderately" over the next quarter.

Source: [IFN](#)

Turkey Names Islamic Banker as Treasury Undersecretary

Turkey appointed Osman Celik, former head of Islamic lender Turkiye Finans as its new treasury undersecretary, the third recent appointment of an Islamic banker to a top financial post.

The government in April appointed Murat Cetinkaya, who has spent his career in Islamic finance, as governor of the central bank. A year earlier, veteran Islamic banker Mehmet Ali Akben was appointed to oversee the country's \$820 billion banking industry as head of the BDDK watchdog.

"Osman Celik is a successful economist with experience in the private sector," stated the Deputy Prime Minister Mehmet Simsek.

The previous two appointments had already been seen as reflecting Ankara's drive to bolster Islamic finance.

Islamic banks account for about 5 percent of total banking assets in Turkey. The government last year presented a legal framework to encourage publicly owned Islamic banks and wants Islamic banks to double their assets to \$100 billion by 2023.

The post of treasury undersecretary has not been formally filled since Ibrahim Canakci left to join the International Monetary Fund in 2014 after more than a decade in the post. A deputy had taken the role of acting undersecretary since then.

Source: [Reuters](#)



Photo Credit: [cnnturk.com](#)

World Nations Turn to Islamic Arbitration Services as Shariah Finance Goes International



Photo icra.com

Litigation through the courts may be the most popular choice for Islamic financial commercial disputes; however, an increasing number of market participants are gravitating outside the courts to settle transaction disputes as the internationalization of Shariah finance reaches an all-time high.

According to Prof Sundra Rajoo, the director of the Kuala Lumpur Regional Center for Arbitration (KLRC), there has been a meaningful increase in the number of commercial disputes crossing over to the Islamic arbitration side, although the level of take-up, while on the upward trajectory, could still be improved. “It’s hard to proportionate this against dispute resolution cases in the conventional financial industry – that would be similar to comparing apples to oranges. But the demand for a Shariah compliant

dispute resolution avenue is at par with the industry’s growth and market share needs at the moment,” stated Prof Rajoo, adding that he expects the adoption of the Islamic arbitration services to expand as the Shariah finance market matures.

Very encouraging is that Chinese President Xi Jinping’s ‘One Belt, One Road’ strategic initiative, which has opened the doors for Shariah compliant project funding opportunities, has also cleared the way for third-party commercial dispute resolution services. Multiple arbitration centers worldwide, including the KLRC, are now working together to launch a platform to market their services together

Source: [IFN](#)

Australia Opens Avenues for Islamic Investors

Over the past few years, despite the small Muslim population base in Australia, an impressive number of Shariah-compliant financial service providers have been launched in the country. This has also to do with Australia’s strong asset-backed economy with its most important pillars being infrastructure, agriculture and mining.

The country also aspires to become a financial hub for Asia-Pacific, and thus needs to open up to any segment of the financial industry that a customer in the region would be looking for.

Among the dominant financial service firms in Australia that offer Shariah-compliant services such as Islamic home finance, car loans and insurance, as well as halal investments are Crescent Wealth, an Islamic fund manager, as well as MCCA Limited, one of the longest established Islamic finance firms focusing on real estate, vehicle leasing and wealth management.

Others are Islamic home financing specialist Amanah Islamic Finance, which has its own board of Shariah scholars, Islamic Cooperative Finance Australia, specialising on home and vehicle finance and on fund investments, home financing specialist Iskan Finance, fully-fledged Islamic banking institutions such as Arab Bank Australia, as well as the Islamic window of Westpac Bank.

Furthermore, Islamic finance is expected to be bolstered significantly in Australia when newly proposed tax changes eventually will come into effect. Currently, uncertainty surrounding the tax treatment of Islamic investments is hampering the development of the market as Islamic investors are technically subject to a multitude of obligations such as capital gains tax, withholding tax, land tax and stamp duty. But a new law proposed in Australia’s 2016-17 budget will eventually remove or at least drastically reduce tax barriers for Islamic investment structures.

Source: [Gulf Times](#)

Australia, a country of just 23mn people of which around 2% are Muslim, is seen as having strong potential to jump upon the bandwagon of Islamic finance, with a number of Muslim-led financial firms expanding in the market and sukuk becoming an increasingly popular option for long-term financing.

Oman’s Growing Pivot to Islamic Finance

The Central Bank of Oman (CBO)’s latest 2015 annual report stated that total assets of Islamic banks and windows had grown more than 64% year on year, as at the end of December 2015.

The Sultanate, which made its sovereign *Sukuk* debut with a OMR250 million (US\$647.38 million) issue in 2015 – effectively making it the last of the GCC countries to join the sovereign issuance club – saw its Islamic banking assets make up 7.5% of the overall banking system assets at OMR2.3 billion (US\$5.96 billion), from OMR1.37 billion (US\$3.55 billion) a year earlier.

Within a short span of time of Islamic finance establishing its presence in the country, Oman has managed to establish two fully-fledged Islamic banks, while six local conventional commercial banks have dedicated windows offering Islamic banking products.

“All these institutions have established their own Shariah supervisory boards to guide them in Shariah related matters. Further, as part of strengthening the Shariah regulatory framework, a High Shariah Supervisory Board was established in [the] CBO with eminent scholars,” the CBO’s annual report noted. The functions of the board include providing opinion and advice to the CBO on Shariah matters relating to Islamic banking business, and deciding on issues which are subject of a *Fiqh* dispute between Shariah supervisory boards in licensed banks.

The report further explained that Oman’s relatively late entry benefitted immensely from Islamic finance industry experiences elsewhere. “The hallmark of the approach has been the adoption of accounting standards of AAOIFI and guidance by IFSB standards right at the commencement of Islamic banking operations in Oman,” it added.

Source: [IFN](#)



Photo Credit: customstoday.com

Having only introduced Islamic banking operations some three and a half years ago, Oman is witnessing commendable growth in the Shariah compliant finance industry.

Maybank Islamic takes on multiple roles to optimize *Waqf* assets

Malaysia's largest Islamic bank by market share is taking on a triple role – the first for any financial institution – to facilitate and develop a newly-minted *Waqf* fund in an industry which has seen the Islamic charitable trust segment struggle to take off due to legal complexities and a lack of synergy among stakeholders.

Maybank Islamic will contribute RM10 million (US\$2.43 million) to *Waqf* Perak Ar-Ridzuan (WPAR), an Islamic endowment fund launched in April, in its capacity as a *Waqf* (donor) above its role as a fund manager as well as a collection agent, a responsibility usually assumed by *Waqf* institutions. The donation will involve up to RM5 million (US\$1.21 million) for the construction of a student accommodation for Universiti Islam Sultan Azlan Shah and a general cash *Waqf* of similar size which is



Photo Credit: maybank.com

structured whereby the bank will match every RM1 (24.29 US cents) contributed by the public.

Timely data is hard to come by but according to Bank Islam, only 7.2% of the 11,000 hectares of *Waqf* land, worth over RM1.7 billion (US\$412.98 million) in 2012, were developed – illustrating the severe underutilization of *Waqf* assets despite them being an effective tool for large-scale social development as well as wealth management. Factors hindering the development of the *Waqf* sector are manifold but could mainly be attributed to legal red tape (*Waqf* is managed under different laws within the purview of the Islamic religious councils of each state) as well as the shortage of legitimate channels of funding and poor marketability.

Source: [IFN](#)

Takaful Seizes 11% of Total Insurance Premiums in Egypt in 4 Months

Takaful firms have managed to capture 11.46 percent of the total insurance premiums in the country throughout the first four months of the current year.

In four months, the *takaful* firms had posted direct premiums worth 825.7 million Egyptian pounds (\$93 million), according to a report released by the country's market regulator, Egyptian Financial Supervisory Authority (ESFA).

Insurance firms in Egypt witnessed a rise in their portfolio of premiums by 27.4 percent record 7.2 billion pounds during the first four months of 2016 ended on April 30, compared to 5.65 billion pounds in the same period a year earlier.

Source: [Zawya](#)

Sukuk Issuance Remains Weak Despite Oil Drop

Contrary to market expectations that drop in oil prices will help pick up *sukuk* issuance, the first half of 2016 witnessed a significant drop in the global issuance compared with the same period in 2015.

Despite a significant drop in oil prices since mid-2014, total *sukuk* issuance didn't pick up in 2015 or during the first half of 2016, as was predicted by several market commentators. In fact, issuance actually dropped in the first half of 2016 by 12.5 percent from a year ago, S&P Global Ratings noted.

"We assume *sukuk* issuance will remain subdued, with total issuance of \$50bn-\$55bn in 2016. The complexity of *sukuk* issuance, uncertainty regarding US Federal Reserves' policy revisions, and government efforts to reduce financing needs in response to weak oil prices have and will continue to weigh on *sukuk* market activity", the ratings agency said in its report "Why low oil prices aren't sending *sukuk* issuance skyward".

The S&P Global Ratings expects oil prices will remain substantially below peak levels and stabilize at \$50 per barrel by 2018 and beyond. When prices began to fall, several market commentators predicted a boom in *sukuk* issuance in 2015 and thereafter, arguing that gov-

ernments in oil-exporting countries would tap the *sukuk* market to attract funding and maintain their current and capital spending. However, as anticipated, the predicted windfall didn't materialize, with total issuance actually dropping compared with the last year. The ratings agency continues to believe that *sukuk* issuance will remain muted over the next 6-18 months.

"In our view, issuance in the second half of 2016 will continue to depend on monetary policy developments and volatility in developed markets as well as the policy actions of sovereigns in core markets- namely GCC countries and Malaysia--in response to lower oil prices. While governments affected by the price drop are looking to spending cuts, taxation, and the privatization of state companies to adjust to the new reality, their financing needs remain significant. Part of these needs will be met by conventional debt markets and, to a much lesser extent, the *sukuk* market, with the complexity of *sukuk* issuance remaining a key deterrent to tapping the market.

Source: [Zawya](#)



Photo Credit: Reuters



Photo Credit: Samaa

Oman Sells \$500 mln 6-yr Privately Placed *Sukuk*



Photo Credit: anderodyssey

Oman's government has sold a \$500 million six-year *sukuk* in a private placement. The *sukuk*'s profit rate is 3.5 percent and the *Ijara*-structured instrument will be repaid in three equal instalments after four, five and six years, according to the document from Standard Chartered.

Gulf governments are turning to debt markets to raise money to make up for budgetary shortfalls following the sustained slump in oil prices. Oman has already raised a \$2.5 billion two-part bond and a \$1 billion loan from banks in 2016 .

Source: [Zawya](#)

Senegal Issuing Second Sovereign *Sukuk*



Photo Credit: Jeff Attaway/CC/Flickr

Senegal has launched subscriptions for its second sovereign *Sukuk* issuance. The proposed 150 billion CFA francs deal is being offered at 6% profit rate with a 10-year maturity. The Islamic Corporation for the Development of the Private Sector (ICD), a multilateral organization affiliated with the Islamic Development Bank (IDB) Group is acting as the arranger for the *sukuk*.

The proposed deal is backed by the assets of the international airport.

Senegal last issued a *sukuk* on 25 June 2014 for 100 billion CFA francs. The four-year issuance achieved a profit rate of 6.25% and was the first major *sukuk* issued by a West African nation. Ivory Coast later issued a five year 150 billion CFA francs on 28 December 2015.

A major significance of the *Sukuk* programme for both Senegal and Ivory Coast is the issuance in a local currency as opposed to in a hard international currency.

Source: [Sukuk.com](#)

IRTI Releases New Textbook Titled 'Fundamentals of Islamic Economics and Finance'

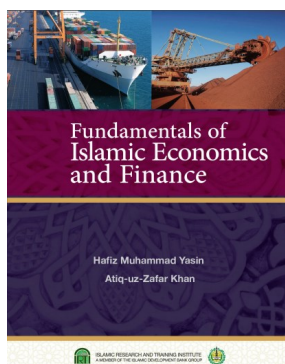


Photo Credit: IRTI

The Islamic Research and Training Institute (IRTI), a Member of the Islamic Development Bank Group, has released a new, first-of-its-kind textbook titled 'Fundamentals of Islamic Economics and Finance'.

IRTI published the textbook with the aim of satisfying the long-felt need for a standard, comprehensive textbook covering the necessary Islamic Economics and Finance topics in a lucid presentation style.

The new textbook is designed for senior undergraduate students of Islamic Economics and Finance, and can also be useful for students of conventional economics theory.

Director General of IRTI, Prof. Mohamed Azmi

Omar, said the textbook would address concerns about lack of adequate, synthesized Islamic Economics and Finance study materials for undergraduate students.

"Even though previous research in the area has produced lots of theoretical and policy literature, much of the research outcomes are scattered in various published and unpublished materials, and access to all of these is obviously difficult and time consuming. This new textbook published by IRTI is an attempt to address these concerns by having one volume that explains the different concepts in simple language," Prof. Omar added.

For an overview of the textbook, please check: www.irti.org

Source: [Zawya](#)

Upcoming Events (July-Oct 2016)

World Islamic Economic Forum	Indonesia, Jakarta	2-4 Aug	Conference Details
9th IFSB-INCEIF Executive Forum: Promoting Sound and Effective Shari'ah Governance Practices	Malaysia, Kuala Lumpur	5 Oct	Conference Details

New Publications

The catalysts for change: Strategic priorities in governance and regulation in Islamic Finance practice — Deloitte & IRTI	Download Report
Fundamentals of Islamic Economics and Finance — IRTI	View Book

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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