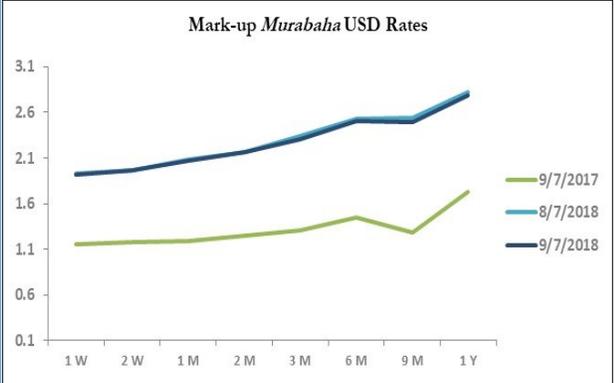
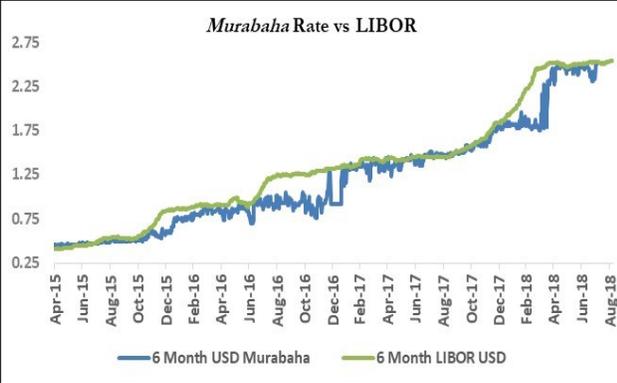
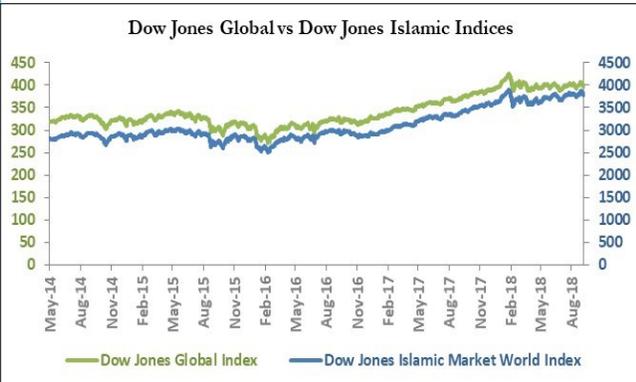
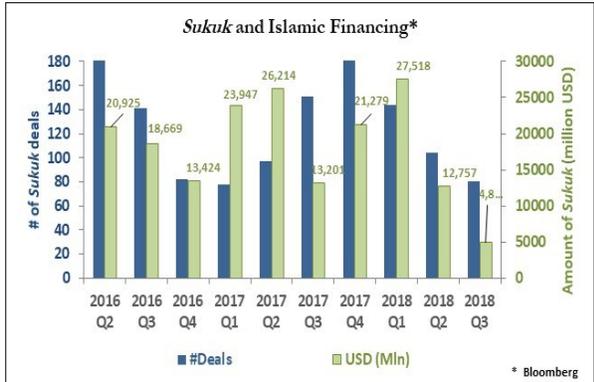


Global <i>Sukuk</i> Issuance to Hit \$100b in 2018	2		Value	MoM	QoQ	YoY
			9/7/18	8/7/18	6/7/18	9/7/17
		Equity				
Deposit Insurance for Islamic Finance Set to Get Clear Framework	2	Dow Jones Islamic Index	3779.57	▼-0.99%	▼-0.18%	▲10.99%
		Dow Jones Global Index	396.57	▼-1.74%	▼-1.57%	▲6.94%
		MSCI Islamic Index	1333.42	▼-2.11%	▼-1.88%	▲5.46%
Energy Projects to Benefit from New Islamic Trade Finance Fund	3	MSCI World Index	2144.03	▼-1.05%	▲0.30%	▲9.13%
		MSCI Emerging Market Index	1018.29	▼-5.70%	▼-11.43%	▼-6.59%
		Fixed Income				
		LIBOR 6 Month	2.5406	▲0.018	▲0.049	▲1.089
Saudi Arabia Sells SAR 4 Billion of Domestic <i>Sukuk</i>	3	<i>Murabaha</i> USD 6 Month	2.5044	▼-0.023	▲0.051	▲1.056
		Dow Jones <i>Sukuk</i> Index	99.47	▼-0.14%	▲0.34%	▼-4.23%
Islamic Finance Well Received in Morocco After Last Year's Launch	3					
Qatari Islamic Banks Grow Despite Regional Rift	4					
World's First ESG <i>Sukuk</i> Fund Another Step Forward for Malaysia's Responsible Finance	4					
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* Bloomberg

Global *Sukuk* Issuance to Hit US\$100b in 2018

Global *sukuk* issuance is expected to reach US\$90 billion to US\$100 billion in 2018, with more volume expected from Malaysia and Indonesia in the second half of the year, said Moody's Investors Service.

The *sukuk* issuance outlook is in line with the 2017 level. "Moody's expectation of broadly stable issuance for the year - despite a 12 per cent decrease to US\$55 billion in the first half of 2018 - is supported by regular issuance from government and corporate entities in Malaysia (A3 stable) and Indonesia (Baa2 stable) in the second half of 2018," it said in a report entitled, "Cross-Sector - *Sukuk* Market Outlook - H1 2018 Update." The decrease in *sukuk* issuances during the first half of 2018 was driven by lower volumes from the Gulf Cooperation Council (GCC) region.

According "Over the long term, we expect *sukuk* issuance volumes to continue to grow as governments across the core

Islamic finance markets shift their financing mix towards a combination of conventional and Islamic instruments," Vice President and Senior Credit Officer at Moody's, Nitish Bhojnarwala, said. Moody's also noted that the launch in July 2018 of a primary dealers programme for government *sukuk* in Saudi Arabia (A1 stable), and the start of committed *sukuk* transactions on Bursa Istanbul in August 2018, were supportive of the market.

Green *sukuk* issuance is set to accelerate in Malaysia and Indonesia as governments in both countries seek to promote sustainable policy agendas by attracting private capital into low-carbon and climate-resilient infrastructure projects, said the rating agency.

The Malaysian and Indonesian precedents could encourage other issuers to enter the green *sukuk* market, in particular GCC governments, which aim to diversify their economies away from the oil industry, it said.

Source: [New Straits Times](#)



Photo Credit: english.mubasher.info

Deposit Insurance for Islamic Finance Set to Get Clear Framework

The currently fragmented system of deposit insurance for accounts and other assets held at Islamic banks is now set to get clearly defined standards and guidelines to which the Islamic finance sector can be aligned. The Switzerland-based International Association of Deposit Insurers and the Islamic Financial Services Board (IFSB) on August 6 in Kuala Lumpur signed a memorandum of understanding to set up a joint working group which would develop and promote technical standards for the implementation of effective and comprehensive Islamic deposit insurance systems.

"What we will do is to create Islamic core principles for effective Islamic deposit insurance systems and provide guidance for the members of both organisations and the deposit insurance sector in general," said Bello Lawal Danbatta, secretary-general of the IFSB. The agreement will also provide for workshops, conferences, seminars, forums and programmes for banks and financial institutions to promote the new system, as well as provide technical assistance and knowledge-sharing, Danbatta added. The "core principles" will

then enable Islamic deposit insurance providers to identify gaps in their existing deposit insurance practices, while also provide an international standard-setting benchmark to facilitate independent assessment on the effectiveness of a bank's *Shari'ah*-compliant deposit insurance system.

The new clear guidelines should reduce the complexity that arises for Islamic deposit insurance from the risk-sharing principle in Islamic finance and the fact that – by and large – account holders at Islamic banks are regarded as profit-or loss-sharing investors rather than depositors, except when a safe-keeping contract is the underlying scheme. But Islamic deposit insurance system seeks to go beyond that by granting the insurability of profit-loss sharing investment accounts.

Since the current practices are very diverse and differ from country to country, the new core principles by the IFSB will certainly be helpful to achieve higher standards of Islamic deposit protection.

Source: [Gulf Times](#)



Photo Credit: gbgindonesia.com

Energy Projects to Benefit from New Islamic Trade Finance Fund

A new sovereign energy trade finance fund – thought to be a world first – is being launched by the International Islamic Trade Finance Corporation (ITFC) and US investment manager Federated Investors. The ITFC Sovereign Energy Fund (ISEF) aims to raise US\$300mn for its first close.

The portfolio will be a private offering available to ITFC's qualified investors across the member countries of the Organisation of Islamic Co-operation (OIC) and ITFC's global partners.

It will invest primarily in energy-related trade and export finance, structured trade, supply chain and project finance

assets of sovereign entities across the energy value chain in the OIC's 57 member countries. "From our best knowledge this is the first sovereign energy trade finance fund ever to be raised in the industry globally," Miloud Boudjemai, fund manager at ITFC, tells GTR. He adds that the fund is currently assessing 10 transactions and that deployment will begin in October.

The fund will be *Shari'ah*-compliant, meaning that investments will be realised through transaction structures that adhere to Islamic principles. It will be sponsored and managed by ITFC with strategic input from Federated Investors' UK-branch.

Source: [Global Trade Review](#)



Photo Credit: global-islamic-finance.com

Saudi Arabia Sells SAR 4 Billion of Domestic Sukuk

The Kingdom's Finance Ministry sold SAR 2.25 billion of five-year *sukuk*, SAR 500 million of seven-year *sukuk*, and SAR 1.25 billion of ten-year *sukuk* in August 2018.

Saudi Arabia's Ministry of Finance has announced the completion of its SAR 4.0 billion domestic Islamic bonds in its monthly auction by re-opening an issue originally made in July, according

to local newswire, Saudi Press Agency.

The tap issuance brings the total amount of the domestic *sukuk* issuance to SAR 7.46 billion.

The Debt Management Office (DMO) of the Ministry of Finance had announced the establishment of the *Sukuk* Issuance Program in Saudi riyal in 2017.

Source: [CPI Financial](#)



Photo Credit: salaamgateway.com

Islamic Finance Well Received in Morocco After Last Year's Launch

Islamic finance and banking are on a rapid growth pattern in Morocco, only shortly after the country's central bank, Bank Al-Maghrib, finally and after several delays in July 2017 officially introduced a comprehensive regulatory framework for what it calls "participation banking" in the north African country.

Islamic finance was uncommon in Morocco up to 2015, when the Bank Al-Maghrib began to approve – on a case-to-case basis – requests of conventional banks to open Islamic windows and started the process of formulating clear Islamic banking regulations for the

banking industry. According to Bank Al-Maghrib governor Abdellatif Jouahri, the country now has more than 70 banks and financial institutions providing *Shari'ah*-compliant financial services, which so far granted a total of 1.1bn Moroccan dirhams (\$115.3mn) in lending. While the Islamic banking regulations, governed by the *Shari'ah* Committee for Participative Finance in the central bank, allows five popular types of Islamic finance instruments, (*murabaha*, *musharaka*, *ijara*, *mudaraba* and *salam*), *murabaha* has proven most popular for participation banking clients, which prefer it for real estate and automotive financing.

Source: [Gulf Times](#)



Photo Credit: dailymail.co.uk

Qatari Islamic Banks Grow Despite Regional Rift



Photo Credit: zawya.com

Assets and revenues at Qatar's Islamic banks have grown over the past year but an increase in problem loans and a drop in foreign currency lending underscore the impact of a diplomatic rift in the region.

Qatar has been under a diplomatic and commercial boycott since June last year, when Saudi Arabia, the United Arab Emirates, Bahrain and Egypt cut diplomatic and transport ties with the world's top exporter of liquefied natural gas.

The country's four full-fledged Islamic banks have not been immune, although their focus on Qatar's domestic market may have helped them to some extent, according to data from the Islamic Financial Services Board.

Qatar Islamic Bank, Masraf Al Rayan, Qatar International Islamic Bank and Barwa Bank held a combined 358.6 billion riyals (\$96 billion) in assets in the first quarter of this year, an 8.8 percent increase from a year earlier.

Most of that increase was due to their holdings of Islamic bonds, which stood at 65.1 billion riyals in the first quarter, a 37.7 percent rise from a year ago.

The Malaysia-based IFSB, which sets the standards for Islamic finance, started publishing data on Qatar in May as part of its quarterly reporting on the industry.

The banks reported a combined 3.9 billion riyals in revenues in the first quarter, an 18.6 percent increase. But non-performing finance expanded to 2.9 billion riyals from 1.7 billion riyals a year ago.

Capital adequacy and profitability measures were mostly unchanged, but foreign exchange financing decreased by 7 percent, IFSB data showed.

Source: [Reuters](#)

World's First ESG *Sukuk* Fund Another Step Forward for Malaysia's Responsible Finance



Photo Credit: thestar.com.my

Malaysia's *Shari'ah*-compliant BIMB Investment Management launched the world's first environmental, social and governance (ESG) *sukuk* fund on August 1. Reflecting a growing responsible finance sector in Malaysia, the company's CEO told Salaam Gateway the move was in response to market interest.

BIMB's ESG *Sukuk* Fund is the company's fifth ESG-focused fund as a result of its partnership since 2015 with London-based Arabesque Asset Management, whose S-Ray proprietary methodology is used in the five funds' portfolio strategy.

"We notice interest in *Shari'ah*, ESG and quantitative rules-based funds," BIMB Investment chief executive officer Najmuddin Mohd Lutfi told Salaam Gateway in an e-mail. "Going forward, we will launch more ESG that incorporates fintech like artificial intelligence, machine learning, big data, data analytics. The next investment focus could be in U.S. equity and multi-asset funds," he added. With 2.44 billion Malaysian ringgit (\$600 million) of assets under

management at the end of June, the company is a small player in the domestic Islamic fund management sector—valued at 162.80 billion ringgit in May—and has actively differentiated itself through its focus on ESG as well as technology.

Malaysia has been gradually building its *Shari'ah*-compliant responsible finance sector. Its Securities Commission released the framework for SRI *sukuk* in August 2014 and shortly after, in June 2015, sovereign wealth fund Khazanah issued Malaysia's first SRI *sukuk*. In July 2017, Malaysian company Tadau Energy issued the country's, and world's, first green *sukuk* with a 250 million ringgit paper to fund the construction of large-scale solar plants.

Most recently, the Securities Commission released new guidelines on SRI Funds in December 2017 to spur the growth of that responsible finance sector.

Source: [ISRA](#)

IRTI, UNDP Organize Workshop on Mobilizing Islamic Finance for SDGs

A capacity-building workshop on tapping the potentials of Islamic finance for achieving the Sustainable Development Goals (SDGs) has been organized jointly by the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IsDB) Group and the United Nations Development Program (UNDP) in Istanbul, Turkey.



Photo Credit: salaamgateway.com

The workshop, held on 28-30 August 2018, aimed to build capacity of development practitioners in exploring opportunities provided by Islamic finance towards meeting targets of the 2030 Agenda. More than 60 participants attended the workshop from Central Asia, Africa, and the Middle East.

In the context of the growing interest in Islamic finance and the need for comprehensive capacity building for development practitioners, UNDP and IRTI, along with

other partners, jointly organized this capacity-building workshop in Istanbul.

IRTI Director General, Dr. Humayon Dar, said, “As a global think tank specializing in Islamic development, IRTI will continue to collaborate with global institutions like UNDP to build capacity of development practitioners and other stakeholders towards mobilizing Islamic finance for the SDGs.”

Acting Manager of Training at IRTI, Dr. Rami Abdelkafi, said “There is a consensus that concerted efforts are needed to mobilize more resources for the SDGs, and Islamic finance offers a significant opportunity in this regard. Building the capacity of development practitioners in the field of Islamic finance is very important to enable them explore the potentials of Islamic finance in terms of resource mobilization and impact on the real economy.”

Source: [Salaam Gateway](#)

Outlook Stays Bright for Islamic Finance in Asia, But Challenges Remain

The Asian Development Bank (ADB) in its latest evaluation of Islamic finance in Asia, entitled “An overview Islamic Banking and Finance in Asia” and issued last month, came to the conclusion that the outlook for the industry was generally positive, although the market keeps struggling with liquidity issues particularly in the sukuk segment, as well as regulatory challenges. Looking back, Islamic banking and finance have experienced rapid growth and development in Asia, the ADB stated. The continent is an important part of the global economy as well as the Islamic financial system.



Photo Credit: gulf-times.com

The Islamic banking assets and financial products in Asia are much larger than those in Europe and North America, largely due to the Malaysian Islamic finance marketplace, which makes the country a global leader in Islamic financial services, holding more than a 10%-share of the global Islamic banking assets. Indonesia, Pakistan and Bangladesh have smaller shares, but their growth and regulatory developments in recent years have enabled them to expand their volume of *Shari'ah*-compliant banking assets, the report notes.

However, in terms of supervisory frameworks for Islamic banking and finance in Asia, the situation is diverse. Some Asian countries, like Kazakhstan, apply a single integrated regulatory framework to all Islamic banks, while some other nations, such as Indonesia and Malaysia, follow a mixed approach by adopting a similar regulatory framework for both Islamic and conventional banks, but they issue separate guidelines for areas that are specific to *Shari'ah* banking. Other jurisdictions leave it more or less to the banks themselves and their own in-house Shariah guidance.

The ADB expects the growth of Islamic finance to continue based on the following fundamentals: i) growing middle class in Muslim majority Asian countries; ii) increasing interest of governments of Asian countries to promote Islamic finance; iii) attraction of Islamic finance to market participants due to its ethical features.

However, the ADB report also identified challenges facing Islamic finance in Asia, such as problems with regulation and supervision, and lack of liquid and active secondary markets in key Islamic finance domiciles in Asia.

Source: [Gulf Times](#)

New Publications

An Overview of Islamic Banking and Finance in Asia	Download Publication
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Upcoming Events (Sep—Nov 2018)

2nd CIBAFI - UAB Forum: UN Development Goals and Islamic Finance: A Focus on Africa	Khartoum, Sudan	25-26 Sep 2018	Event Details
CIBAFI-World Bank Conference on “Corporate Governance of Islamic Financial Institutions: Overcoming Challenges and Implementing Best Practices”	Kuala Lumpur, Malaysia	2 Oct 2018	Event Details
Global Islamic Finance Forum 2018 (GIFF2018)	Kuala Lumpur, Malaysia	3-4 Oct 2018	Event Details
2nd International Conference on Zakat, Waqf and Islamic Philanthropy (ZAWFI 2018)	Selangor, Malaysia	10-11 Oct 2018	Event Details
AAOIFI-World Bank 13th Annual Conference	Manama, Bahrain	23 Oct 2018	Event Details
1st Global Conference on Islamic Economics and Finance 2018 (GCIEF 2018)	Kuala Lumpur, Malaysia	24-25 Oct 2018	Event Details
Global Islamic Economy Summit 2018	Dubai - United Arab Emirates	30-31 Oct 2018	Event Details
6th ASEAN Universities International Conference on Islamic Finance (AICIF 2018)	Manila, Philippines	14-15 Nov 2018	Event Details
World Islamic Banking Conference (WIBC) 2018	Amwaj Islands, Bahrain	26-28 Nov 2018	Event Details

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.

Contact Info:

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