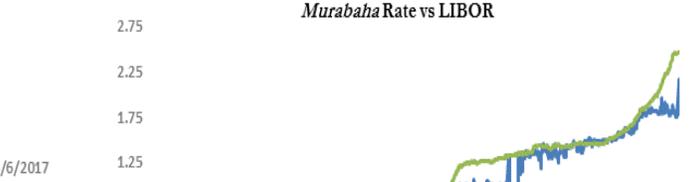
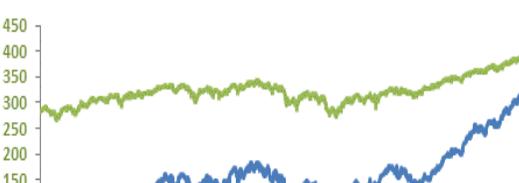
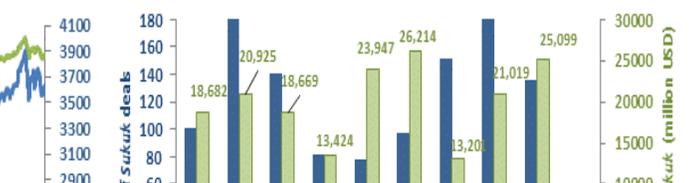


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* Bloomberg

The World Bank and the Islamic Development Bank Launch the Second Edition of the Global Report on Islamic Finance

The World Bank and Islamic Development Bank want to increase the use of long-term investments in Islamic finance, tasking the industry with reducing its reliance on Islamic banks in favour of a wider array of institutions.

The report – entitled, “The Role of Islamic Finance in Financing Long-Term Investments” – was unveiled by IsDB Group President Dr. Bandar Hajar during the 13th IsDB Global Forum on Islamic Finance, held on the sidelines of the 43rd Annual Meeting of the IsDB Group in Tunis, Tunisia.

The two multilateral bodies set out a series of policy recommendations aiming to capitalize on the risk-sharing and asset-backed features of Islamic finance.

Several of those recommendations mirror previous calls for regulations to facilitate sharia-compliant financing and improve secondary markets for Islamic debt.

But the report goes further by taking to task the very same Islamic banks that dominate the sector and which have shied away from financing projects with longer tenors.

"The biggest challenge in achieving the potential of Islamic finance for funding long-term investments lies in the dominance of the Islamic banking subsector."

Islamic banks hold the bulk of the industry assets, with some estimates as high as 80 percent, leaving Islamic bonds, insurance and mutual funds with a smaller share.

Islamic banking products have often been developed under the same regulatory regime as conventional lend-

ers, leading to instruments that are sharia-compliant but economically similar to their interest-based counterparts.

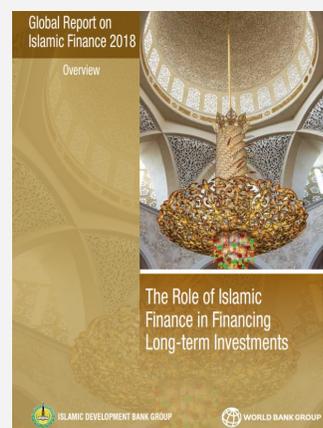
This contributes to an over-allocation of savings to short and medium-term financial instruments, with a reliance on risk-transfer rather than risk-sharing, the report said.

To counter this, policymakers could help develop sector-specific investment banks as well as non-bank Islamic firms that use equity-based financing such as leasing companies, venture capital firms and crowdfunding platforms.

The report, which reviewed industry developments across 12 countries over the past decade, also raised the need for tax incentives and Islamic insurance schemes to help extend maturities.

Source: [The New York Times](#)

The Overview of the report can be downloaded by clicking the cover picture below:



'Turkey can Play a Leading Role in Islamic Finance'

Turkey can play a leading role in the Islamic finance sector globally, Abdelilah Belatik, secretary-general of the General Council for Islamic Banks and Financial Institutions (CIBAFI) said.

"Turkey is a large Muslim country and a member of G20, ... [exactly like] Saudi Arabia and Indonesia. In this sense, it can play a leading role in the sector."

He added that Turkey was a bridge between the Muslim world and the West.

"Its voice can be heard differently, not like poor Muslim countries, Gulf and others."

He said through Turkey's support Islamic finance was discussed among G20 countries, which was a milestone.

"For the first time at the G20 level there was a discussion about participation finance and what it can do for the global economy."

He added Turkey had a key role to play in raising awareness about Islamic finance.

Belatik added that CIBAFI expects the volume of the sector to reach \$4 trillion by the end of 2020.

CIBAFI Global Forum 2018, a two-day global Islamic finance forum, will be held in Istanbul on May 2. The Forum will focus on how the industry can fulfil its obligation while remaining competitive and relevant within global financial markets.

Source: [Anadolu Agency](#)

Islamic Investment Megabank Likely to Launch in 2018

A proposed Islamic investment megabank, which has been in the pipeline for years, is likely to be launched in 2018, according to the Islamic Development Bank (IDB) spokesman.



Islamic Development Bank (IDB) spokesman Abdul-Hakim Elwaer

Photo Credit: aa.com.tr

Speaking on the sidelines of the 43rd annual IDB meeting in capital Tunis, Abdul-Hakim Elwaer said: "Discussions are still on going. We very much hope so, we very optimistic that we will see something coming up within 2018."

The idea for the proposed bank emerged in 2015; a year later, Indonesia, Turkey and the IDB decided to set up committees to look into the proposal.

About the fact that several years have passed since the idea was first proposed,

Elwaer said it was "normal" that such proposals to create a unique bank took time.

"When you have something of a critical nature like the megabank, countries are expressing interests, either same interests or different interests..." Elwaer explained.

He said that Turkey and Indonesia remain keen on the bank, adding that a very important issue was to bring the leaders of the countries together.

Business leaders from Muslim nations have gathered in the Tunisian capital to review last year's IDB performance, and discuss and approve its development agenda for the year ahead.

Source: [Anadolu Agency](#)

Islamic Development Bank Aims to Empower Women

The Islamic Development Bank (IDB) aims to improve women's access to infrastructure that will offer economic opportunities through Islamic microfinance, said Bandar Hajjar, president of the bank.

Speaking at the "Partnerships for Promoting Women's Economic Empowerment" session at the 43rd annual IDB meeting in Tunis, Hajjar said: "The empowerment of women is at the core of the Bank's development strategy."

He said the IDB has been contributing to the empowerment of women with various interventions to promote its member countries in improving health, food security, economic opportunities and education.

"The IDB aims to do this by strengthening partnership with member countries to improve the status of women in the Muslim World, blended with longer-term economic development and capacity development initiatives toward self-development and sustained growth," he added.

He announced that to achieve this, the bank would launch a new initiative called "SheCan".

"If given the opportunity SheCan trans-

forms her families, communities and economies resulting in more inclusive, productive and resilient societies," he said.

He also stressed the bank continued its regular operations to empower women in priority sectors, such as energy, education, transport, health and Islamic finance.

The IDB was designed to ensure that women have equal access and control over available resources, he underlined.

"I am confident that through partnerships with government institutions, the private sector, civil society, academia, multilateral banks and international organizations we can create make transformative change in empowering women to advance their role in social and economic spheres of life," he said.

Mohammad Naciri, director of the Regional Office for the Arab States of the United Nations, said that it would be naive to think of achieving economic empowerment without partnerships.

"Around 40 percent of women in the Middle East and South Africa regions are not part of the workforce," he stressed.

Source: [Anadolu Agency](#)



Photo Credit: aa.com.tr

World Gold Council and IIFM to Develop Standards for Gold-based Islamic Contracts



Photo Credit: mondovisione.com

The World Gold Council (WGC) and the Bahrain-based International Islamic Financial Market (IIFM) plan to develop a series of standard templates for sharia-compliant gold contracts, aiming to enhance the use of bullion in Islamic finance.

The WGC and IIFM, a non-profit industry body that develops specifications for Islamic finance contracts, held an initial consultative meeting in Turkey on to discuss which contracts would be developed first.

Gold had traditionally been classified as a currency in Islamic finance, confining its use to spot transactions, but new guidance has opened the door for a wider range of products.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) developed a sharia standard for gold in late 2016, setting out guidelines on what products would be deemed permissible by sharia scholars.

The proposed contract templates from

IIFM would add to those efforts by standardising the operational aspects of gold transactions, which often require high volumes to be economically viable.

Standards from IIFM and AAOIFI would complement each other, helping remove legal risks and facilitate cross-border transactions, said Natalie Dempster, managing director of central banks and public policy at the WGC.

Some of the main requirements that would be addressed include physical allocation of gold, confirmation of ownership, and spot transactions, Dempster said.

“The documents will cover a number of issues but they will help ensure these specific requirements, and others, are satisfied from an operational point of view.”

The consultation meeting, hosted by Borsa Istanbul, also discussed allocated gold agreements, consignment agreements, swap product confirmations and other gold-based products such as exchange traded funds and Islamic bonds.

Source: [Reuters](#)

Islamic Scholars Debate Validity of Cryptocurrencies



Photo Credit: zawya.com

The world's top Islamic finance scholars are scrutinizing the validity of cryptocurrencies, as debate grows in the industry as to whether such fast emerging financial tools can be deemed sharia compliant.

The issue of religious permissibility could help determine whether Islamic financial firms can invest in cryptocurrencies, widening their appeal in the industry's main centres in the Gulf and Southeast Asia.

The discussions are part of the annual sharia conference of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) being held in Bahrain.

Financial technology developments mean scholars must revisit Islamic finance concepts and how they have evolved over time, Ebrahim Bin Khalifa Al Khalifa, Chairman of

the AAOIFI Board of Trustees, said in his opening remarks at the conference.

“This specifically relates to riba (usury) in cryptocurrencies, such as Bitcoin, among others. Today, the floor is open to tackle this recent breakthrough in the monetary sphere from a sharia perspective.”

The key question for scholars is whether cryptocurrencies fall under the so-called “ribawi” category, which includes commodities like gold and silver.

AAOIFI primarily issues accounting and sharia standards for Islamic finance institutions, but there is no current indication it would issue guidance on cryptocurrencies.

Source: [Zawya](#)

CIBAFI Submitted Recommendations to the Basel Committee on Banking Supervision (BCBS) on Stress Testing Principles



Photo Credit: tradcarabia.com

Aligned with its role as advocate of the Islamic Financial Services Industry (IFSI), the General Council for Islamic Banks and Financial Institutions (CIBAFI), the global umbrella of Islamic financial institutions, announced that it has provided its comments to the Basel Committee on Banking Supervision (BCBS) on the Consultative Document on “Stress Testing Principles”. CIBAFI has provided collective feedback of its member banks from more than 30 jurisdictions, comprising the following key points.

Firstly, the Principles have been “formulated with a view towards application to large, internationally active banks ... in Basel Committee member jurisdictions”, but are intended to be used on a proportionate basis by smaller banks and their supervisors in all jurisdictions. Some CIBAFI members would like to see the BCBS provide more clarification on the regulators’ role in such application and the application of the principles by smaller banks to assist less sophisticated supervisory authorities and smaller banks in their implementation.

Secondly, in addition to stating the high-level principles, the BCBS is planning to

publish descriptions of stress testing practices. CIBAFI members welcome this, and believe that it will be particularly helpful to smaller banks and less sophisticated supervisory authorities. The Committee may take into consideration in its further publications not only the application to smaller banks in non-member jurisdictions, but also (i) different stress testing methodologies and scenarios to be adopted for each of the risk silos; (ii) guidance on the choice of macroeconomic parameters in scenario-setting, and (iii) guidance on an appropriate frequency for testing and review in particular contexts.

Finally, the Committee has published its “range of practices” report, which describes and compares supervisory and bank stress testing practices and highlights areas of evolution. CIBAFI members have suggested that the Committee should include the testing of Islamic banks in its future reports with the stress test methodologies and results of the Islamic Banking sector separately. Moreover, some CIBAFI members highlighted that IFIs have specific risks, different ranges of stress testing scenarios and severities which raise particular concerns and challenges in using these principles.

Source: [Zawya](#)

As *Sukuk* Disputes Simmer, Islamic Scholars Ponder Legal Risks



Photo Credit: zawya.com

Senior scholars in Islamic finance are exploring ways to prevent legal disputes that have roiled the industry, with new rules aiming to clarify responsibilities, while others raise the prospect of penalties for their peers.

The discussions are part of the annual sharia conference of the Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), one of the industry’s top standard-setting bodies.

Sharia scholars are considered the gatekeepers of Islamic finance, vetting products and services to ensure they comply with religious principles such as bans on interest and gambling.

However, their profession is under scrutiny after a series of disputes surrounding Islamic bonds, or *sukuk*.

These disputes could dent the growth prospects of the *sukuk* market, as potential issuers could shy away from their perceived legal complexity in favour of conventional debt.

AAOIFI has developed a comprehensive sharia standard for *sukuk* that is being finalised, with work underway on three accounting standards and a governance standard.

Source: [Zawya](#)

Upcoming Events (April—June 2018)

East Africa Islamic Economic Summit 2018	Nairobi, Kenya	24-25 April 2018	Event Details
CIBAFI Global Forum 2018	Istanbul, Turkey	2-3 May 2018	Event Details
2nd International Islamic Business Management Conference	Kuala Lumpur, Malaysia	8-9 May 2018	Event Details
Barcelona Scientific Forum of Islamic Finance	Barcelona, Spain	9-11 May 2018	Event Details
Harnessing Islamic Finance for a Green Future	Kuala Lumpur, Malaysia	14-15 May 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.

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