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	Value	MoM	QoQ	YoY
	4/11/16	4/10/16	4/8/16	4/11/15
Equity				
Dow Jones Islamic Index	2809.70	▼-0.13%	▼-0.13%	▼-6.32%
Dow Jones Global Index	304.32	▲0.12%	▲0.12%	▼-9.49%
MSCI Islamic Index	1081.28	▼-0.12%	▼-0.12%	▼-9.29%
MSCI World Index	1632.14	▼0.00%	▼0.00%	▼-8.28%
MSCI Emerging Market Index	824.01	▲0.88%	▲0.88%	▼-20.35%
Fixed Income				
LIBOR 6 Month	0.8964	▲0.001	▲0.001	▲0.492
Murabaha USD 6 Month	0.8398	▲0.035	▼-0.034	▲0.372
Dow Jones Sukuk Index	102.40	▲0.01%	▲0.01%	▼-1.69%
Bloomberg Emerging Market Bond Index	148.22	▲0.27%	▲0.27%	▲1.58%
Insurance				
Bloomberg Takaful Index	124.21	▼-0.04%	▲1.50%	▼-11.66%

Mark-up Murabaha USD Rates

Murabaha Rate vs LIBOR

Dow Jones Global vs Dow Jones Islamic Indices

Bloomberg Takaful Index

Dow Jones Sukuk Index vs Bloomberg Emerging Market Composite Bond Index

Sukuk and Islamic Financing*

* Bloomberg

World Bank and IDB Launch the ‘Global Report on Islamic Finance 2016’

World Bank and Islamic Development Bank (IDB) have jointly launched the annual global flagship report on Islamic Finance on October 6, 2016 in Washington D.C. The inaugural report titled “Islamic Finance: A Catalyst for Shared Prosperity?” was launched during the World Bank-IMF Annual Meetings. The report provides a comprehensive overview of trends in the various sectors of Islamic finance; identifies the major challenges hindering the industry’s growth; and recommends policy solutions to leverage Islamic finance to help eliminate extreme poverty and build shared prosperity. The event was well attended, with over 100 participants that were within the World Bank and from the public and private sectors of 19 countries.

In his welcoming remarks, Alfonso Garcia Mora, Director, Finance and Markets Global Practice thanked the teams from the World Bank Group and the IDB for conducting high-quality research on this importance topic. “The report provides a set of comprehensive policy interventions to help leverage Islamic finance to achieve sustainable development and to enhance prosperity,” he said. “Such policy recommendations could lead to the development of roadmaps for countries interested in pursuing Islamic finance.”

In a keynote address at the event, the President of the IDB, Dr. Bandar Hajjar, said that intensifying income inequality worldwide requires a strategic shift in the way that the development community has worked. Islamic finance, he added, provides a viable al-

ternative.

Dr. Mahmoud Mohieldin, the World Bank Group’s Senior Vice President for the Sustainable Development Goals (SDGs), also delivered a keynote address at the event. “The Global Report on Islamic Finance is the result of joint efforts by the World Bank and the Islamic Development Bank. It presents an alternative perspective on development, fighting poverty, and sharing prosperity,” he said.

The key recommendations of the report include formulating policy interventions and financial infrastructure to enable Islamic finance to serve as a catalyst for poverty alleviation and inclusive prosperity.



To download an overview of the report, please click on the link below:

[Global Report on Islamic Finance 2016](#)

Istanbul-based University Opens Research Center for Islamic Economics and Finance

Istanbul Sabahattin Zaim University (IZU) opened its International Research Center for Islamic Economics and Finance (IRCIEF) building on Friday, October 28 in contribution to the recent developments of participation banking in Turkey, where various events, conferences, summer school programs and vocational training programs will be organized. The IZU hopes to become a center for academic studies in the field. Launched by Kuveyt Turk and Al-baraka Turk participation banks, the International Research Center for Islamic Economics and Finance aims to carry out projects to establish itself as a pioneer in the field of Islamic finance.

As part of the opening ceremony a panel discussion was made under the theme of ‘Islamic Economics and Finance in Turkey Towards Becoming a Global Centre’. The panelists; Mehmet Ali Akben, President of the Banking Regulation and Supervision Agency, Osman Celik, Undersecretary of State Treasury, Himmet Karadag, President of Borsa Istanbul, Sabri Orman, Board Member of Central Bank of the Republic of Turkey, discussed the current status of Islamic finance in Turkey as well as the challenges it faces and how the sector can be improved. The moderator of the panel Osman Akyuz, who is the Secretary General of the Participation Banks Association of Turkey, stated that their aim is to make Turkey, especially Istanbul, the world’s leading international financial center. “There is also interest-free

finance and Islamic finance within the framework of making Istanbul a financial center. To develop interest-free finance and make it permanent in Turkey academic support must be provided, and it is this research center that will provide the academic support,” said Akyuz.

Zamir Iqbal, Head of the World Bank Global Islamic Finance Development Center, delivered the opening lecture. Iqbal discussed the Islamic financial perspective on economic development.



Djibouti Sees Islamic Finance Sector Expanding, Aims for *Sukuk*

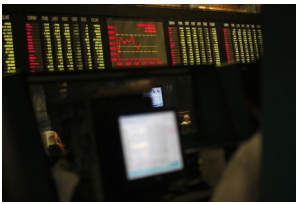


Photo Credit: zawya.com

Djibouti expects to see new entrants in its Islamic finance sector and the government plans to work on a framework to allow the use of *sukuk*, or Islamic bonds, to fund infrastructure projects, its central bank governor said.

Djibouti, a country of less than a million people located on the Horn of Africa, is a relative newcomer to Islamic finance, having introduced sector-specific legislation in 2011, but authorities hope it can increase banking penetration in rural areas while also attracting foreign investment.

The government has established a national sharia board to help oversee the sector, appointing five members to the independent body.

The move could help Islamic finance by improving

consumer perception of the industry and providing greater clarity on contracts which follow religious principles such as bans on interest and gambling.

The government is in discussions with Islamic Development Bank to secure a technical mission to help establish a framework to issue *sukuk* for either the government or state-owned enterprises.

The central bank has avoided double-taxation of Islamic contracts through temporary exemptions, but it is in discussions with the Ministry of Finance to make those exemptions permanent

Source: Zawya

Kenya Sets Up Body to Manage Push into Islamic Finance

Kenya launched an office dedicated to oversee its fledgling Islamic finance industry and help prepare for the issue a debut sovereign *shariah*-compliant bond, known as a *sukuk*.

With the government estimating that 11 percent of the population is Muslim, Kenya has seen the emergence of Islamic institutions in recent years, including two banks, five Islamic banking windows offered by commercial lenders, insurance firms and a unit trust fund.

The government in the East African nation wants to build up the industry as part of a long-term plan to turn Nairobi into an International Financial Centre.

"We have a real opportunity to attract local investment and capital inflows both from Muslim and non-Muslim locally and internationally," Kamau Thugge, the principal secretary at the Treasury, said in a statement.

The statement called the new body the Islamic Finance Project Management Office.

Kenya, which has applied to become a member of the Islamic Financial Services board, is carrying out legal and policy reforms to facilitate the growth of the industry.

Source: Reuters



Photo Credit: cio.co.ke

Bahrain to Require External Sharia Auditors for Islamic Banks

Bahrain's central bank has proposed new governance rules that would require Islamic banks in the kingdom to conduct external sharia audits of their operations, representing a shift away from the long-held practice of self-regulation.

Islamic banks in the Gulf have traditionally used in-house boards of Islamic scholars to determine whether religious principles are being obeyed, such as a ban on payment of interest.

Bahrain's central bank said that a public consultation period for its draft rules would close on Oct. 16. The draft is part of an effort by Bahrain to regain prominence in Islamic finance, an industry it helped to pioneer, against competition from centres such as Dubai and Kuala Lumpur.

Islamic banks are subject to general financial oversight by national regulators in all countries where they operate, but in many countries authorities have largely left questions of sharia-compliance to the in-house sharia boards.

The new guidelines for Bahrain would oblige banks

to have all their operations audited annually by external sharia experts such as Islamic advisory firms. The auditors would need to be approved by the central bank.

Scholars sitting on banks' in-house sharia boards would be required to disclose potential conflicts of interest in writing, and where conflicts are found to exist, to recuse themselves from decisions.

These provisions could place Bahrain among the strictest jurisdictions for sharia scholars.

Other proposals include disclosure requirements that would include publication of the aggregate remuneration paid to in-house scholars.

The banks would also have to disclose any non-permissible income and specify how they intend to dispose of assets generated by non-sharia-compliant earnings or acquired through prohibited expenditure.

Source: Reuters



Photo Credit: arabianbusiness.com

Dubai Launches International Islamic Endowments Body

A group of Islamic endowments, or *awqaf*, and the Dubai government have launched an international organization tasked with improving investments made in the sector.

The *Anqaf* International Organization (AIO) aims to coordinate commercial efforts of sharia-compliant charitable foundations from around the globe, to give them economies of scale and improve profitability.

Anqaf receive donations from Muslims around the world to operate social projects such as mosques, schools and welfare schemes.

They have amassed huge holdings of real estate, commercial enterprises and other assets, which ac-

ording to a Dubai government estimate total \$1 trillion globally.

The AIO would help *anqaf* customize initiatives according to geographies to achieve maximum social impact.

The body has also been tasked with recommending unified templates for legal frameworks and overseeing applications of sharia standards in accounting, reviewing, and governance.

The founding members include *anqaf* from South Africa, Canada, New Zealand, Australia, the U.S., and the emirates of Dubai and Sharjah.

Source: [Reuters](#)



AAOIFI Looks to Finalise New Standards by Year-end

The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) plans to finalize several new standards by the end of the year, as the standard-setting body works through a revamp of its guidance for the \$2 trillion industry.

Bahrain-based AAOIFI has published a draft sharia standard for gold-based products with a one month consultation period ending Nov. 9, the industry body said in a statement. The project was started last year by the World Gold Council, a London-based market development body.

AAOIFI's sharia board also discussed work on a new sharia standard covering credit cards, while a final draft of a sharia standard covering liability of investment managers would be issued during its next meeting.

This could bring the number of published AAOIFI sharia standards to 57 from the current 54. AAOIFI

has also published 26 accounting standards, 5 auditing standards, 7 governance standards and 2 codes of ethics.

A draft accounting standard on *murabaha* is also slated for the end of 2016, a cost-plus-profit arrangement which is the workhorse of Islamic banks' financing.

Preliminary studies on standards for *sukuk* (Islamic bonds) and *ijara* (Islamic leasing) are also underway with a working group expected to finalize the two by the end of the year, AAOIFI said.

A revision of AAOIFI's existing standard on *sukuk*, which is 14 years old, will cover issues including the asset-backed and asset-based nature of *sukuk*, capital boosting instruments, beneficial ownership and non-viability clauses.

Source: [Reuters](#)



Islamic Banking Assets, Deposits Post Larger Growth in Oman

Amid challenging economic conditions, the Islamic banking sector in the Sultanate achieved significant growth since its start in 2012. The total assets of Islamic banks and windows combined, amounted to RO 2.7 billion as at the end of July 2016 which constituted about 8.5 per cent of the total banking system assets. "The growth has been a result of the Omani government's strategy that has allowed conventional banks to offer Islamic services, thereby leveraging existing banking infrastructure to drive broad customer penetration", Khalid Howladar, Global Head of Islamic Finance at Moody's said in a report.

According to Central Bank of Oman, the total deposits held with Islamic banks and windows registered a re-

markable increase to RO 1.9 billion in July 2016 from RO 1.2 billion outstanding as at the end of July 2015. "The rapid growth of Islamic banking in Oman shows the pent-up demand for such services and, crucially, the effectiveness of government support and regulation in acting as a catalyst for growth," he said. At the same time, Islamic banking entities provided financing to the extent of RO 2.1 billion as at the end of July 2016 when compared to RO 1.4 billion a year ago.

Source: [Zawya](#)



Malaysia Sets Up World's First Integrated Islamic Stockbroking Service



Malaysia, the world's dominant Islamic finance destination, fostered its role as a key player in the industry by opening the world's first end-to-end Islamic exchange platform earlier this September at Kuala Lumpur's stock exchange, Bursa Malaysia.

The new platform, called "Bursa Malaysia-i", offers investors the opportunity of investing in and trading of *Shariah*-compliant products via a *Shariah*-compliant platform and incorporates the full range of stock exchange-related services including listing, trading, clearing, settlement and depository facilities. It is geared at both domestic and foreign investors, not only Islamic investors but also conventional investors looking for ethi-

cal alternatives when putting their money to work.

Currently, around 1.1tn ringgits (\$266bn) or around two thirds of the total market capitalisation of Bursa Malaysia of 1.6tn ringgits (\$387bn) are related to *Shariah*-compliant investment products as of this July, which makes Malaysia the global leader in the Islamic capital market. Products include i-Stocks (short for Islamic or *Shariah*-compliant stocks), which comprise 73% or 669 of all stocks listed on Bursa Malaysia; i-Indices (*Shariah*-compliant indices); i-ETFs (*Shariah*-compliant exchange traded funds), i-REITs (*Shariah*-compliant Real Estate Investment Trusts) and exchange traded *sukuk*.

Source: [Gulf Times](#)

Qatar Most Active Issuer of Long-term Sovereign Sukuk

Representing more than 60 percent of total issuances since 2010, Qatar remains the most active issuer of long-term sovereign *sukuk* in the GCC. Over the next few months, the governments of Qatar, Kuwait and Oman are likely to launch *sukuk* issuances, Moody's Investors Service said.

In the first half of 2016 (H1, 16), total GCC *sukuk* and conventional bond issuances reached an H1 record \$36.7bn, compared to \$39.5bn for full year 2015. The sharp increase in total issuances in 2016 has been driven by higher government issuances to finance large fiscal deficits in 2016, ranging from an estimated 3 percent of GDP in Kuwait, to 14.6 percent and 15.0 percent of GDP in Bahrain and Oman, respectively. GCC sovereigns issued close to \$20bn of long-term debt in H1 16 (compared to \$14bn for FY2015), representing 54 percent of total long-term debt issuance in the region. This includes Qatar's \$9bn conventional international bond in three tranches, with maturities of 5, 10 and 30 years, and Abu Dhabi's \$5bn conventional international bond divided equally into 5 and 10-year tenors.

However, Moody's noted, only 5 percent of GCC government debt issuance in H1 16 comprised *sukuk*, compared to 38 percent in 2015. GCC government entities issued only \$1.1bn worth of long-term *sukuk* in H1 16, compared to \$5.3bn in 2015. This includes Oman's six-year *Ijarah sukuk* issuance of \$500m and Sharjah's five-year *sukuk* issuance of \$500m.

While global *sukuk* issuance volumes have more than halved from a peak of \$149bn in 2012 to just under \$70bn in 2015, international sovereign *sukuk* issuance has remained mostly stable throughout this period at an average of \$25bn per year. Indeed, sovereign *sukuk* represented 50 percent of total *sukuk* issuance in the first half of 2016, and is set to reach around \$28bn by year-end.

Moody's said sovereign *sukuk* issuance is to remain broadly stable in 2016, against a backdrop of markedly lower total *sukuk* issuance. In contrast to the contraction in corporate *sukuk* issuance, sovereign *sukuk* issuance has remained relatively stable at \$22bn as of September 2016, compared with \$21bn for the first nine months of 2015. A robust pipeline of issuances planned for the rest of 2016 points to broadly stable sovereign *sukuk* issuance of around \$28bn for the year as a whole. South-East Asia continues to lead sovereign *sukuk* volumes with regular long-term issuance, followed by the GCC.

Malaysia and Indonesia continue to regularly issue long-term sovereign *sukuk* while Gulf countries have favoured conventional debt structure to finance their deficit, says Moody's Investor Services. On balance, Moody's Investors Service considers that issuance levels will be in line with historical levels and may approach \$28 billion in 2016.

Source: [Zawya](#)



Upcoming Events (Nov-Jan 2017)

11th International Conference on Islamic Economics and Finance (11th ICIEF)	Malaysia, Kuala Lumpur	11 - 13 Oct 2016	Event Details
6th Global Islamic Microfinance Forum	Kenya, Nairobi	8 - 9 Nov 2016	Event Details
IFN Forum Saudi Arabia - Red Money Events	Saudi Arabia, Jeddah	28 Nov 2016	Event Details
8th Annual World Islamic Retail Banking Conference	United Arab Emirates, Dubai	28 - 29 Nov 2016	Event Details
23rd Annual World Islamic Banking Conference	Kingdom of Bahrain, Amwaj Islanda	5 - 7 Dec 2016	Event Details

New Publications

Islamic Banking: Growth, Efficiency and Stability - DCIBF Annual Report 2015	Download Report
External Shari'ah Audit Report - UKIFC & ISRA	Download Report
State of the Global Islamic Economy 2016/17 - Thomson Reuters	Download Report
Islamic Commercial Law Report 2017 - Thomson Reuters	Download Report
Financing Islamic Economy Start-ups - Salaam Gateway	Download Report

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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