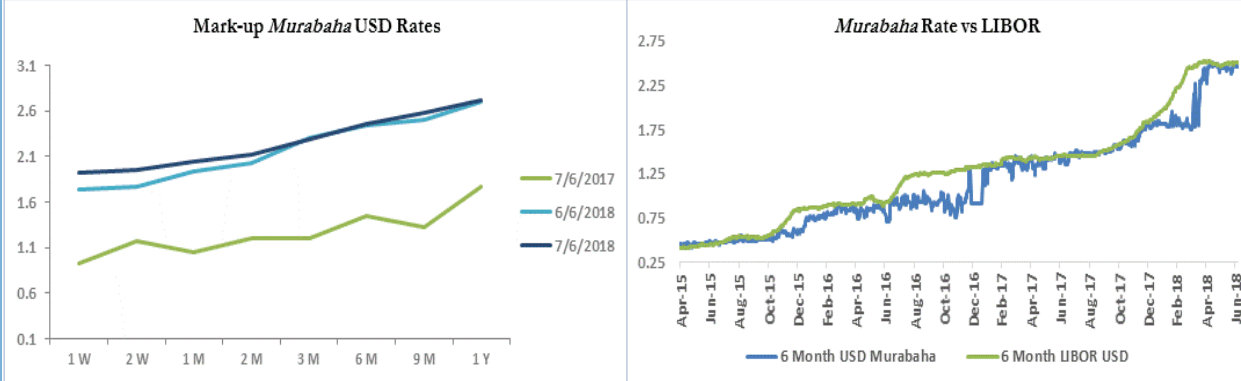
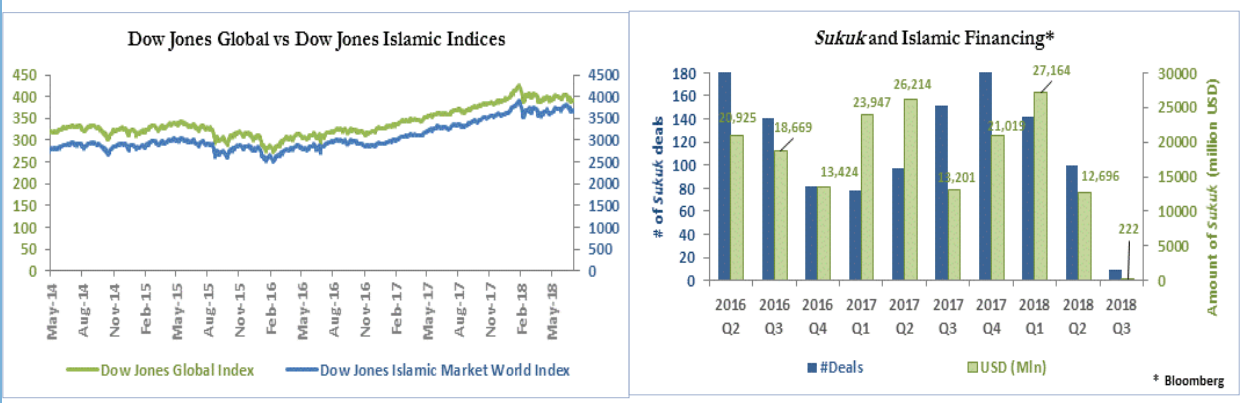


Islamic Finance Industry Assets Surpass \$2tn-mark	2	Value	MoM	QoQ	YoY	
		7/6/18	6/6/18	4/6/18	7/6/17	
		Equity				
“Fintech can Boost Islamic Finance Penetration”	2	Dow Jones Islamic Index	3695.02	▼-2.54%	▲3.25%	▲13.89%
		Dow Jones Global Index	392.06	▼-2.64%	▲0.65%	▲9.45%
		MSCI Islamic Index	1327.15	▼-1.99%	▲2.71%	▲9.05%
		MSCI World Index	2096.19	▼-1.90%	▲2.11%	▲9.81%
		MSCI Emerging Market Index	1054.35	▼-8.33%	▼-9.26%	▲4.79%
		Fixed Income				
Malta Sets Up Body to Coordinate Islamic Finance Efforts	3	LIBOR 6 Month	2.5059	▲0.022	▲0.034	▲1.041
		<i>Murabaha</i> USD 6 Month	2.4551	▲0.004	▲0.670	▲1.011
		Dow Jones <i>Sukuk</i> Index	99.30	▲0.25%	▼-1.08%	▼-3.14%
Growing Islamic Finance Firms Lobby Britain for Tax Relief	3					
Saudi Islamic Affairs Body Launches Endowment Investment Funds Project	4					
FCI Implements Framework for Islamic Factoring	4					
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Islamic Finance Industry Assets Surpass \$2tn-mark

The new Islamic Financial Services Industry Stability Report 2018 released by the Islamic Financial Services Board (IFSB) confirms earlier forecasts that the global Islamic finance industry now has surpassed the \$2tn-mark in assets across its three main sectors: Banking, capital markets and takaful. Total assets were valued at \$2.05tn as of the end of 2017, marking 8.3% growth in US dollar terms year-on-year and reversing the preceding two years of near stagnation of asset value of \$1.89tn in 2016 and \$1.88tn in 2015.

The report says that the strong growth momentum in Islamic finance is mainly owing to the global economic recovery in 2017 which had witnessed its most assured sign of business confidence since the global financial crisis in 2008 among most market participants. An increase in investment activities and manufacturing output, as well as some respite for oil-producing and oil-exporting countries from the improvement in crude oil prices during the second half of 2017 were also part of the positive picture.

While Islamic finance saw overall improvement, the key rebound in performance was experienced by the

Islamic capital markets segment, namely in *sukuk* and Islamic funds, whose assets grew by 25.6% and 19%, respectively, and – combined – represented 22.8% of the global Islamic finance services assets in 2017, up from 19.8% in the previous year. The global Islamic banking industry experienced a 4.3% -expansion in assets to around \$1.56tn, while the global takaful industry recorded a 4%-increase to close to \$26.1bn.

In terms of global market share in Islamic banking assets, Iran, Saudi Arabia, UAE, Malaysia and Kuwait are listed as the top five countries, while Qatar follows sixth. The other countries in the top-ten Islamic banking jurisdictions are Turkey, Bangladesh, Indonesia and Bahrain.

Source: [Gulf Times](#)



Photo Credit: salaamgateway.com

“Fintech can Boost Islamic Finance Penetration”

Deputy Finance Minister of Indonesia, Mardiasmo, says the development of sharia financial technology (sharia fintech) has potential to help enhance the share of sharia financial businesses in the country's financial services.

“To accelerate the process of strengthening the role of Islamic finance, we need to think out of the box, including by taking recent technological advancement into consideration,” said Mardiasmo during the third Annual Islamic Finance Conference in Makassar, Indonesia.

“I believe harnessing [sharia] fintech would have a positive impact on this issue.”

Financial Services Authority (OJK) deputy commissioner Sarjito said the authority had recorded that from 50 peer-to-peer (P2P) lenders registered with the authority, only one, Ammana, was a sharia-compliant firm.

Mardiasmo expressed the hope that the growth of sharia fintech would become the catalyst to increase the share of Islamic banks in the country's financial services.

He added sharia fintech also had the potential to give more financing to small and medium enterprises (SMEs).

Mardiasmo, however, said people lacked knowledge on the matter. “We need to deepen understanding of sharia knowledge among fintech players so that they can comply with sharia-based regulations,” he added.

The conference, with the topic “Enhancing the Role of Islamic Finance within Digital Economy Era: Opportunities and Challenge”, took place on July 4-5. Abayomi Alawode, Head of Islamic Finance, made a presentation on “Connecting Islamic Finance to the Real Sector in the Digital Era”.

Source: [The Jakarta Post](#)



Photo Credit: thejakartapost.com

Malta Sets Up Body to Coordinate Islamic Finance Efforts

The government of Malta has established a national body to help drive the development of Islamic finance with further plans for legislation to facilitate the sector as the country aims to attract business from Middle East firms.



Photo Credit: timesofmalta.com

Malta, the smallest European Union nation, is trying to position itself as a hub for Islamic finance firms.

The Malta Islamic Finance Association would help coordinate efforts across national agencies, regulators and other standard setting bodies, said Silvio Schembri, parliamentary secretary for financial services, digital economy and

innovation.

“As a government we will be looking at drafting amendments to our legislation that will permit Islamic financial institutions to benefit from stronger links with EU member states, amongst other opportunities.”

There have been previous efforts to attract Islamic finance into Malta, including an Islamic equity index launched by the Malta Stock Exchange in 2016.

Malta’s financial regulator also issued a guidance note on Islamic investment funds in 2011, the first EU member country to do so.

Source: [Reuters](#)

Growing Islamic Finance Firms Lobby Britain for Tax Relief

Firms involved in Islamic finance are lobbying the British government for tax reforms, arguing that the treatment of some sharia-compliant structures is hindering their growth.



Photo Credit: fudzilla.com

Britain has actively pursued Islamic finance to become the Western world’s biggest hub for it and banks are now seeking to ensure tax parity in areas such as mortgage refinancing as they compete head-on with their conventional peers.

Islamic finance forbids interest payments and transactions often require multiple title transfers of underlying assets, which can trigger double or even triple tax charges. More than 20 firms offer Islamic financial products in Britain.

The country has previously addressed the adverse tax treatment for Islamic bonds and residential mortgages, helping Islamic banking assets reach more than \$5 billion pounds in 2016, while London has attracted over 65 listings of Islamic bonds worth a combined \$48 billion, lobby group TheCityUK said.

But this has created concerns over refinancing mortgages or switching them from a conventional to an Islamic bank, which can trigger capital gains taxes.

The British tax authority, Her Majesty’s Revenue and Customs, told Reuters it wanted to ensure that tax consequences of refinancing Islamic mortgages are not disadvantageous when compared to standard mortgages and that work was ongoing.

The Chartered Institute of Taxation, a British professional body, has also presented a submission to authorities which some think could open the way to change on Islamic finance.

There are concerns that future changes could also have an impact on the sector.

The government’s 2017 budget has proposed changes starting from 2019 to the tax status of non-resident investors and the way they are taxed on real estate disposals.

Law firm Ashurst says such changes could affect many Middle East Islamic investors who buy into real estate through unit trusts and offshore funds.

Source: [Reuters](#)

Saudi Islamic Affairs Body Launches Endowment Investment Funds Project

The General Authority of Islamic Affairs and Endowments (GAIAE) launched its first initiative, the Endowment Investment Funds project, on Sunday, to organize, maintain, and develop endowments and manage yields.

Through this project, GAIAE aims to contribute to achieving the financial sustainability of endowment and non-profit bodies and encourage the endowments sector to meet development needs.

GAIAE aims to improve the endowments sector in Saudi Arabia, raise awareness of the importance of endowments, and direct banks to support development.

GAIAE Gov. Imad El-Kharashi said: “The project contributes to renewing endowments’ developmental role through a creative investment endowment product

that plays a part in achieving the financial sustainability of non-profit and endowment bodies, according to a complete regulatory framework.

“It also empowers the non-profit sector and enhances its developmental contributions, creates community participation opportunities, and meets the community’s economic and social development needs through investing in the funds of the Endowment Fund and using the Fund’s returns to finance the projects and programs of non-profit bodies according to the endower’s requirement.

“In addition, these funds aim to improve investment, governance, transparency, and disclosure in the Department of Endowments.”

Source: [Zawya](#)



Photo Credit: [zawya.com](#)

FCI Implements Framework for Islamic Factoring

FCI, the global representative of the factoring and receivables finance industry, has amended its ruleset to support sharia-compliant factoring.

It has done so to “ensure that this important and growing branch of factoring is facilitated within the FCI member network”, the body says in a statement. The update, it adds, will “allow support for this type of business on a fully cross-border international basis”.

FCI has made the changes to its ‘General Rules of International Factoring’, a set of rules used by many financial institutions, after receiving unanimous support in a vote by its members at its 50th anniversary annual meeting.

The inclusion of Islamic factoring in FCI’s general rules effectively means there is now a standard framework that Islamic banks and factoring companies can refer to for such transactions, something that could further boost the growth of Islamic financing: in a recent report, Moody’s predicted that Islamic financing assets will grow at 7% this year, outpacing conventional counterparts.

Bankers pointed to trade finance specifically as an area with huge potential for growth as an Islamic offering, saying they generally see a rise in the amount of new companies now tapping into Islamic trade finance products as a new means of funding.

“A lot of conventional customers have started shifting to Islamic finance due to institutional requirements for adherence to sharia principles,” said Krishnakumar Duraiswamy, head of trade finance at Abu Dhabi Commercial Bank.

Ahsan Ali, global head of Islamic origination at Standard Chartered, added: “There are many corporates and government-linked companies, especially in the GCC and Southeast Asia, which are looking to progressively shift their banking facilities to sharia-compliant formats driven by promoter or sponsor preference – as long as product availability and service levels are on par with what they enjoy in the conventional space.”

Source: [Global Trade Review](#)



Photo Credit: [zawya.com](#)

Morocco to Issue First Sovereign Islamic Bond Worth 1 bln Dirhams



Photo Credit: english.mubasher.info

Morocco is preparing to issue its first sovereign Islamic bond, or *sukuk*, worth 1 billion dirhams (\$105 million) in the coming weeks after adopting a regulatory framework governing *sukuk* sales, Finance Minister Mohamed Boussaid said.

“The legal framework is now prepared for Morocco to issue its first sovereign *sukuk* in the coming weeks,” Boussaid commented.

Earlier, the cabinet adopted a decree allowing financial authorities to define different types of sovereign *sukuk*, in line with the opinion of Morocco’s council of Muslim scholars, government spokesman Mustapha El Khalfi said.

Long rejected because of concern about Islamist movements, Islamic banks are looked on as a way to boost the liquidity of Morocco’s financial market and attract foreign investors.

Early last year, Morocco’s central bank approved five requests to open Islamic banks and allowed subsidiaries of three French banks to sell Islamic products.

Morocco is the most advanced among its North African neighbours in developing Islamic finance.

Tunisia and Algeria have also started to explore Islamic banking.

Source: [Reuters](#)

Global Sukuk Issuance Falls by 15.3%

Total *Sukuk* issuance dropped by 15.3 per cent compared with the same period last year, reaching \$44.2 billion compared with \$52.2 billion first half of 2017.

This drop was even more pronounced for foreign currency *Sukuk* issuance at 45 per cent, likely due to the absence of major issuances from the Gulf Cooperation Council (GCC) countries seen in 2017.

In the second half of 2018, S&P expects *Sukuk* issuance volumes will continue to be slowed by the global tightening of liquidity conditions as well as by lower financing needs of some GCC countries as a result of oil prices stabilising at higher levels. The sharp increase in geopolitical risks in the Middle East will also likely weigh on investors appetite. Meanwhile, inherent challenges related to the *Sukuk* market continue to drag on expansion of this market, although Malaysia will probably continue to support market growth, owing to its strong market foundations and government support for Islamic finance. Overall, S&P maintains its expectations for volume of issuance at \$70 billion \$80 billion in 2018.

There are four main reasons that S&P expects the market will continue to lose steam:

The tightening of global liquidity that started in the first half of 2018 is likely to continue; the US Federal Reserve is expected hike its federal funds rate by another 50 basis points in the second half of 2018 after the two increases of the first half and that central banks of GCC countries will probably mirror such an increase due to the peg of their currencies with the US dollar. Overall, it is likely that the liquidity channelled to the *Sukuk* market from developed markets will reduce and become more expensive.

The GCC countries need for financing is reducing as liquidity conditions improve, thanks to higher oil prices and continued expenditure reduction by GCC countries since 2015.

By contrast, the repeal of the good and services tax in Malaysia without sufficient offsetting measures could result in higher fiscal deficit and financing needs for the country, further boosting its *Sukuk* issuance.

Standard setting bodies have made significant efforts to drive forward the standardisation of *Sukuk*, but there is still work to be done. Some market participants still think that standardisation is unrealistic and that it would be better to aim for harmonization and leave some flexibility for implementation.

Source: [Zawya](#)

الرمز	الاسم	القيمة	التغير	النسبة
1.33	0.00	0.00	0	1.33
1.41	50,000	1.00	1.41	63.73
2.83	50,000	2.58	0.00	0
0.83	35,000	0.83	0.85	1,150,000
0.90	500,000	0.00	0.90	377,277
0.92	100,000	0.02	0.04	558,851
3.40	0	0.00	0	3.40
1.9	70,000	1.9	1.92	35,000
3.10	0	0.00	3.00	10,000
3.00	0	0.00	0	3.00

Photo Credit: arabianbusiness.com

New Publications

IFSB Islamic Financial Services Industry Stability Report 2018	Download Publication
Islamic Finance Beyond the OIC - Developing New Hubs	Download Publication
Islamic Finance in Kuwait: Broadening Horizons	Download Publication

Upcoming Events (July—Sept 2018)

12th International Takaful Summit London	London, United Kingdom	10-11 July 2018	Event Details
3rd International Conference on Islamic Economics and Financial Inclusion (ICIEFI)	Yogyakarta, Indonesia	11-12 July 2018	Event Details
International Islamic Entrepreneurship and Business Conference 2018	Malacca, Malaysia	4 Aug 2018	Event Details
10th IFN Turkey Forum	Istanbul, Turkey	10 Sep 2018	Event Details
2nd CIBAFI - UAB Forum: UN Development Goals and Islamic Finance: A Focus on Africa	Khartoum, Sudan	25-26 Sep 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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