

		Value	MoM	QoQ	YoY	
		6/6/17	6/5/17	6/3/17	6/6/16	
The World Bank and The Securities Commission Malaysia jointly organized a conference	2	Equity				
		Dow Jones Islamic Index	3313.69	▼-0.17%	▼-0.19%	▲15.14%
Participation Banks Association of Turkey and IDB Sign Cooperation	2	Dow Jones Global Index	361.48	▼-0.23%	▼-0.37%	▲15.20%
		MSCI Islamic Index	1241.84	▲0.00%	▼-0.20%	▲10.53%
		MSCI World Index	1931.73	▲0.00%	▼-0.18%	▲14.55%
Morocco Opens First Islamic Bank Branch Months After Approval	3	MSCI Emerging Market Index	1017.59	▲0.00%	▲0.25%	▲23.60%
		Fixed Income				
		LIBOR 6 Month	1.4282	▲0.000	▲0.000	▲0.474
		<i>Murabaha</i> USD 6 Month	1.4232	▲0.015	▼-0.007	▲0.604
Kenya Backed to be an Islamic Finance Hub	3	Dow Jones <i>Sukuk</i> Index	103.22	▲0.00%	▼-0.11%	▲0.65%
		Bloomberg Emerging Market Bond Index	164.78	▲0.00%	▲0.05%	▲8.47%
Islamic Bankers in Pakistan Greet Tax Neutrality on Financial Instruments	3	Insurance				
		Bloomberg <i>Takaful</i> Index	134.07	▼-0.78%	▼-0.85%	▲3.04%
AAOIFI Launches New Guidelines for Islamic Finance	4	Mark-up <i>Murabaha</i> USD Rates		<i>Murabaha</i> Rate vs LIBOR		
IIFM to Expand Standardization in Islamic Finance	4	Dow Jones Global vs Dow Jones Islamic Indices		Bloomberg <i>Takaful</i> Index		
Fintech for Islamic Finance Faces Standardization Challenges	4	Dow Jones <i>Sukuk</i> Index vs Bloomberg Emerging Market Composite Bond Index		<i>Sukuk</i> and Islamic Financing*		
Record Saudi Issuance Supports Strong Sukuk Market Growth	5					
Oman Raises \$2bln Sukuk with 4.397% Profit Rate	5					
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* Bloomberg

The World Bank and The Securities Commission Malaysia jointly organized a conference on “Islamic Finance and Public-Private Partnerships for Infrastructure Development”

The Securities Commission Malaysia (SC) and the World Bank Group say more sustainable developments can be created when Public Private Partnerships (PPPs) employ Islamic infrastructure financing in their projects.

SC and the World Bank Group jointly said this at the “Islamic Finance and Public-Private Partnerships for Infrastructure Development” conference, organized by both institutions.

“A critical imperative for infrastructure financing is to successfully bridge the gap between the demand for capital and the supply of it. The Securities Commission Malaysia has long recognized the promising potential of the Islamic capital market as an alternative avenue for large-scale long-term fundraising.

“In this regard, *Sukuk*, given its asset-based and risk-sharing nature, is particularly apt for infrastructure financing,” said SC chairman,

Tan Sri Ranjit Ajit Singh.

World Bank Group's senior director of Infrastructure, Guarantees and Public-Private Partnerships, Laurence Carter, said that his organization believes Islamic finance has an important role to play in addressing the development challenges facing the World Bank's client countries.

“The World Bank Group’s involvement in Islamic finance is directly linked to our objectives of reducing poverty, promoting financial sector development, broadening financial inclusion, and building financial sector stability and resilience in client countries,” said Carter.

The one-and-a-half day conference was attended by development practitioners, policy makers, regulators, and stakeholders involved in Islamic finance and infrastructure.

Source: [New Straits Times](#)



Photo Credit: worldbank.org

Participation Banks Association of Turkey and IDB Sign Cooperation Deal

Officials from the Islamic Development Bank and the Participation Banks Association of Turkey (TKBB) signed a cooperation deal for financing infrastructure projects on May 25.

The agreement was inked at a TKBB general assembly in Istanbul.

Speaking at the general assembly meeting, Turkish Deputy Prime Minister Nurettin Canikli said Islamic banks, dubbed as participation banks in Turkey, must create their own financial instruments and ways of doing so as not to be overshadowed by traditional banks.

“Participation banks and interest-free financing must create their own financial instruments and methods in a bid not to be overshadowed by traditional banking system,” he said.

The Turkish government aims at raising the share of Islamic lenders in the banking system to 15 percent by 2023. The share of five Islamic lenders in the whole system is now around 5 per-

cent in the country. Their share was 5.1 percent in 2015, 5.2 percent in 2014 and 5.5 percent in 2013.

Canikli noted that Islamic banks and the interest-free financial system must develop their own instruments, and the public authority offers a “limitless” support to help them make this.

At the same meeting, the head of the country’s banking watchdog BDDK said new Islamic lenders are expected to enter the Turkish market in the upcoming period.

“We expect newcomers both from the private sector and the public sector to enter the Islamic banking sector in the upcoming period,” said BDDK head Mehmet Ali Akben.

Source: [Hurriyet Daily](#)



Photo Credit: hurriyetdailynews.com

Morocco Opens First Islamic Bank Branch Months After Approval

The first Islamic bank in Morocco, Umnia Bank, has opened its doors five months after the country's central bank approved requests to open Islamic financial institutions.



Photo Credit: nooz.com

Islamic banks and insurers are setting up in Morocco after new legislation allowed them into the market, and the central bank has set up a central sharia board, a body of Islamic scholars, to oversee the sector.

The North African country long rejected Islamic banking because of concern about

Islamist movements, but its financial markets lack liquidity and foreign investors, and Islamic finance could attract both of those.

Umnia Bank, a joint venture of Qatar International Islamic Bank (QIIB) and Moroccan lender Credit Immobilier et Hotelier S.A. (CIH Bank), opened a total of three agencies in the country, including two in Casablanca and one in Rabat.

The bank plans to open more branches throughout the country, it said in a statement.

Source: [Reuters](#)

Kenya Backed to be an Islamic Finance Hub

Kenya is well positioned to become the hub for Islamic Finance in East and Central Africa. This comes in the wake of government's pledge to develop a Shariah-compliant fund structuring and banking framework in as part of strategies to grow foreign direct investments. The focus on Islamic finance is also aimed at bridging funding gaps in the country's infrastructure projects.



Photo Credit: the-star.co.ke

The Treasury plans to roll out guidelines on

Sukuk bonds and *Takaful* retirement benefits schemes to allow for the introduction and development of Shariah compliant products. Islamic Finance Project Management Office, established in December 2015 and led by financial services regulators, submitted policy proposals to the Treasury early this year. The guidelines will enable sector the financial sector regulators to incorporate Islamic finance regulatory frameworks.

Source: [The Star](#)

Islamic Bankers in Pakistan Greet Tax Neutrality on Financial Instruments

Islamic banking industry commended the government's move to consider Shariah-compliant financial institutions at par with conventional banking in terms of tax liability on inter-bank transactions and when it comes to taxation on their investment products.

The government, in the budget speech for the fiscal year of 2017/18, said tax neutrality for Islamic banking instruments, such as - Musharika, Ijarah, Murabaha as compared with conventional banking, "is proposed to be provided," on the recommendation of the State Bank of Pakistan (SBP) and to promote Islamic mode of financing.

Analysts said now withholding and turnover taxes should not be implemented on the transactions of the said Islamic banking instruments.

Unlikely to change dramatically anytime soon. Recent *sukuk* issues by GCC banks

were mostly capital-boosting *sukuk* (primarily in the form of Tier 1 *sukuk*) as their pricing was attractive compared with banks' cost of common equity, but not many *sukuk* issues from GCC Islamic banks are expected in 2017-2018.

The government is also planning to introduce risk mitigation facility for small and medium enterprises through a Rs3.5 billion fund to be established in the SBP. The facility will cater to both Islamic and conventional banking products.

The government also exempted modaraba from a tax on profit. It imposed 10 percent, for tax year 2017 and onwards, on every public company other than a scheduled bank or a modaraba, which drives profit for a tax year but does not distribute at least 40 percent of its after tax profits within six months of the end of the tax year through cash or bonus shares.

Source: [The News](#)



Photo Credit: timedoctor.com

AAOIFI Launches New Guidelines for Islamic Finance

As part of its consistent efforts to regulate the Islamic banking sector, The Accounting and Auditing Organisation for Islamic Financial Institutions, AAOIFI, has introduced new guidelines for applying the Sharia-Compliant finance law.



Photo Credit: michaeldiazjr.com

The new standards come in keeping with the rapid growth witnessed by the Islamic economy and go in line with the initiative launched by Vice President, Prime Minister and Ruler of Dubai, His Highness Sheikh Mohammed bin Rashid Al Maktoum, to render Dubai as the capital of Islamic Economy.

The four new standards, which help scholars decide whether financial activities and products conform with Sharia law, address

core issues, including criteria of competitions and trophies in Islamic Sharia, including their modern applications, investment, gold transactions-regulating criteria and re-purchase standards.

The launch came during a ceremony organised by AAOIFI in Dubai on 8th May in collaboration with the Dubai Islamic Economy Development Centre.

In his inaugural remarks, AAOIFI Secretary-General Dr. Hamed Hassan Merah said that AAOIFI since its establishment has launched standards and criteria that have proven to be leading guiding principles for Islamic financial institutions in the UAE and in different world countries that adopt Islamic economics.

Source: [Zawya](#)

IIFM to Expand Standardization in Islamic Finance

The International Islamic Financial Market (IIFM) has embarked on a three-year strategic plan expand the scope of standardization initiatives in Islamic finance and other services to new segments and areas.

The main recommendations as part of the strategy involve a number of initiatives, including, the standardization of new products and agreements, industry advocacy on evolving regulatory landscape, strengthening the collaboration with inter-



national and regional bodies, organizing roundtable discussions with regulators and market participants in key jurisdictions, organizing IIFM annual conference, compilation of IIFM standards and related information in a handbook for easy reference and the development of educational programs on IIFM standards.

Source: [Trade Arabia](#)

Fintech for Islamic Finance Faces Standardization Challenges

Fintech is necessary for Islamic finance to maintain and grow its market share – a failure to keep pace would weaken the players' competitiveness. Fintech could help in promoting standardisation, harmonisation of Islamic finance products and integration.

With financial inclusion a major issue in many of the countries where Islamic finance is active, fintech may have an embedded edge in helping to balance out the "disproportionate pyramid", wherein Islamic finance is still serving the top of the pyramid.

This could be supported by the emergence of tech-savvy middle classes in countries where Islamic finance is active. The need for more agile and simpler financial services, the growing usage of mobile devices and the shift towards technological and mobile financial services could under-

pin growth in the industry.

Much has been made of the potential of fintech in Islamic finance. However, the challenges have not been discussed at length yet and could present as a sizeable impediment to growth.

The principal challenge could be the regulatory environment. The Islamic finance industry already has moving targets, be it standardisation, developing regulation and innovating new products. Regulatory limitations and concerns could hinder the ability of Islamic finance institutions to forge ahead in adopting new models linked to various fintech themes such as P2P, crowdfunding and big data.

Source: [The National](#)



Record Saudi Issuance Supports Strong Sukuk Market Growth

Saudi Arabia's record USD9 billion *sukuk* reinforces the expectation that total 2017 issuance in core Islamic finance markets will grow at least as rapidly as it did last year and that market-share will rise, Fitch Ratings says. The heavily oversubscribed Saudi *sukuk* suggests the main limitation on growth is likely to be the relatively limited pool of potential near-term issuers, rather than limited demand.

New *sukuk* issuance with a maturity over 18 months from the core Islamic finance markets of the Gulf Cooperation Council (GCC) region, Malaysia, Indonesia, Turkey and Pakistan totalled USD24.1 billion in the first four months of the year. This is 11% more than the USD21.7 billion issued in the entire first half of 2016. *Sukuk*'s share of total issuance in these markets has also risen to 37% so far this year, from 30% in 1H16.

Sukuk issuance in the core markets is already 60% of the total for 2016, but any further issues this year is not expected to even approach the size of Saudi Arabia's *sukuk*, and if the Saudi authorities were to tap international markets again this year, it is believed that it would probably be via a bond. In addition, the early start to Ramadan this year means *sukuk* issuance will probably tail off after May. It is expected that the market will grow at least at a similar rate to the 26% seen

in 2016.

Investors placed orders for more than USD33 billion for Saudi Arabia's *sukuk*, indicating that there is plenty of appetite for the product. However, volumes remain heavily reliant on a relatively limited number of issuers, mostly sovereigns, and this will remain the main constraint on growth in the near term.

More issuers are expected to enter the market in the longer term. More banks may use *sukuk* and bonds for reasons including building capital buffers, diversifying their funding sources and taking advantage of relatively low funding costs. These trends will vary from country to country, with economic growth in some areas potentially also supporting issuance.

Corporate issuance will also slowly increase in core markets as structures become more standardized and transparent following the introduction and updating of *sukuk* laws in the past few years. GCC corporates have traditionally relied heavily on bank lending. However, those that do choose to tap capital markets are more likely to issue *sukuk*, or a mixture of *sukuk* and bonds, rather than just bonds, in order to attract a wider local and regional investor base. Some companies are also limited to only sharia-compliant borrowing by their own rules.

Source: [Frontera](#)



Photo Credit: themiddleeastmagazine.com

Oman Raises \$2bln *Sukuk* with 4.397% Profit Rate

Oman has raised \$2 billion in Islamic bonds, pricing at par a seven-year *sukuk* with a profit rate of 4.397 percent, a document issued by one of the banks leading the deal showed.

The order book for Oman's bond was in excess of \$6.9 billion, demonstrating that despite Oman's financial vulnerabilities, highlighted by a recent credit downgrade by rating agency Standard & Poor's and a spike in its external debt position, demand for its paper remained hefty.

In March, when Oman issued a triple-tranche \$5 billion conventional bond, the order book topped \$20 billion.

The pricing of Oman's debut public *sukuk*

was in line with portfolio managers' expectations ahead of the bond launch, although some investors said they expected more upside given the large size of the deal.

In its push to replenish its coffers, strained by low oil prices, the Gulf state is also in the process of raising \$3.6 billion through a syndicated loan to be provided by Chinese banks.

Oman's funding needs are expected to remain significant this year because of slow fiscal consolidation and a widening account deficit, a research report by Standard Chartered showed. The bank estimated Oman's debt would go up to 35 percent of its GDP this year from 4.8 percent of GDP in 2014.

Source: [Zawya](#)



Photo Credit: cio.co.ke

Upcoming Events (June— Aug 2017)

Islamic Banking and Finance Conference	Oxford, United Kingdom	11 July 2017	Event Details
11th International Takaful Summit London	London, United Kingdom	11-12 July 2017	Event Details
4th International Islamic Economics and Finance Conference (IIEFC)	Istanbul, Turkey	15-16 July 2017	Event Details

New Publications

I FOR IMPACT: Blending Islamic Finance and Impact Investing for the Global Goals	Download Publication
Islamic Funds: Gearing Up	Download Publication
2016 Global Sukuk Market: A Record Year for Corporate Issuance	Download Publication
Development of IF: Support by Multilateral Institutions	Download Publication
Islamic Finance Technology & Innovation	Download Publication

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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