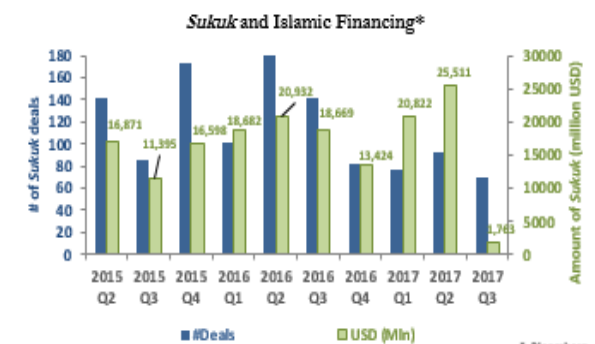
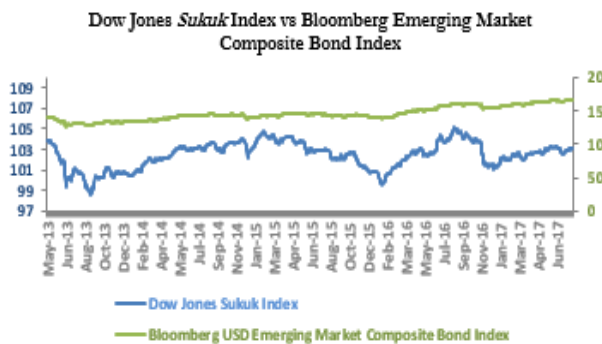
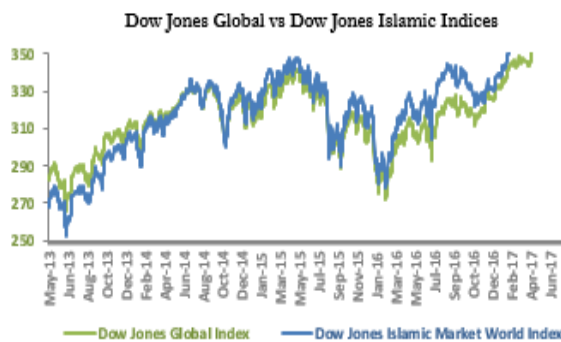
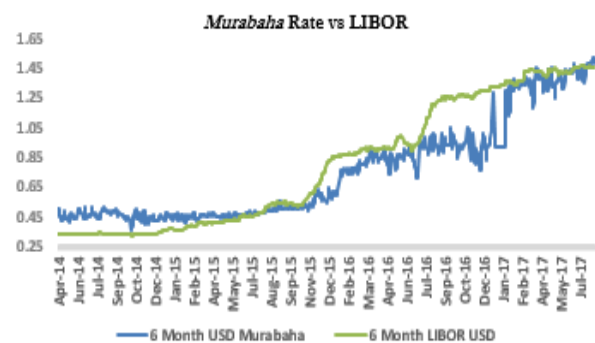
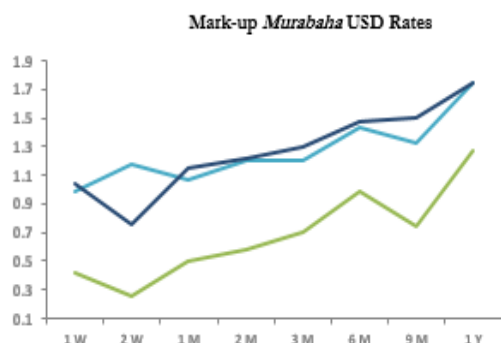


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	Value	MoM	QoQ	YoY
	8/7/17	7/7/17	5/7/17	8/7/16
Equity				
Dow Jones Islamic Index	3358.43	▲ 3.16%	▲ 4.32%	▲ 13.00%
Dow Jones Global Index	370.94	▲ 3.41%	▲ 4.53%	▲ 15.58%
MSCI Islamic Index	1251.21	▲ 2.75%	▲ 2.86%	▲ 8.97%
MSCI World Index	1967.77	▲ 2.85%	▲ 3.74%	▲ 14.63%
MSCI Emerging Market Index	1067.26	▲ 6.46%	▲ 9.10%	▲ 20.52%
Fixed Income				
LIBOR 6 Month	1.4494	▼ -0.016	▲ 0.017	▲ 0.289
<i>Murabaha</i> USD 6 Month	1.4747	▲ 0.043	▲ 0.138	▲ 0.487
Dow Jones <i>Sukuk</i> Index	103.15	▲ 0.69%	▲ 0.45%	▼ -0.87%
Bloomberg Emerging Market Bond Index	166.22	▲ 2.00%	▲ 2.06%	▲ 5.29%
Insurance				
Bloomberg <i>Takaful</i> Index	136.76	▼ -0.36%	▼ -1.78%	▲ 2.33%



* Bloomberg

Islamic Finance to Debut Soon in Cambodia

Islamic finance, which upholds Sharia principals and is in line with the ethical values of Islam will make its debut soon in Cambodia.

According to the World Islamic Economic Forum (WIEF), two Malaysia-based Islamic financial institutions – Amanah Ikhtiar Malaysia and Yapeim – are expected to open their first branches by the end of the year and 2018 respectively.



Photo Credit: khmertimeskh.com

“Promoting Islamic finance will build bridges in the microfinance world and also benefit Muslim people in Cambodia,” said Tan Sri Dr Wan Zahid Bin Noordin, chairman of the WIEF Education Trust, at a workshop on financial inclusion yesterday.

“Sharia compliant Islamic banking encourages profit and loss sharing and assets-based investments, promoting financial inclusion for all,” added Mr Wan Zahid.

Osman Hassan, secretary of state at the Ministry of Labor and Vocational Training and president of Cambodian Muslim Development Foundation, said Muslims in the country were reluctant to try to access the kingdom’s financial services as paying interest is not allowed under Islamic law.

“It becomes a problem if Muslim businessmen want to expand their businesses and feel that they cannot borrow money from the banks or microfinance institutions,” said Mr Osman.

“As a matter of faith, a Muslim cannot lend money to, or receive money from, someone and expect to benefit. Interest [known as *riba*] is not allowed.

“To make money from money is forbidden – wealth can only be generated through legitimate trade and investment in assets.”

Source: [Khmer Times](#)

Pakistan Sets Rules for Banks Wanting to be Fully Sharia Compliant

Pakistan's central bank has issued guidelines covering how banks that want to be fully-fledged sharia compliant can achieve that status, setting a three-year time frame for applicants to complete the process.

The rules aim to accelerate the growth of Islamic banking in the Muslim-majority country. The sector enjoys double-digit growth but lags conventional banks in terms of size and profitability.

Islamic banks follows religious principles such as bans on interest and pure monetary speculation, ruling out the use of interest-based financial instruments such as bonds and treasury bills.

Eligible applicants must have existing Islamic finance operations and the conversion process must start within six months of approval, the central bank said in a circular.

After the conversion of conventional branches, the applicant can then apply for a full-fledged

Islamic banking license.

Converting back to conventional banking operations will not be allowed, the circular said.

Such conversions are rare in Islamic finance but are seen as a way to increase the scale of Islamic banking and widen its reach into under-served rural areas.

Islamic banking in Pakistan, the second most populous Muslim-majority nation after Indonesia, currently includes five full-fledged Islamic banks and 16 conventional banks offering Islamic financial products.

As of March, they held assets worth 1.9 trillion rupees (\$17.9 billion), a 16 percent increase from a year earlier and 11.7 percent of total banking assets.

However, their capitalisation and profitability ratios remain below the industry average in Pakistan.

Source: [Zawya](#)



Photo Credit: zawya.com

Malaysia is Reviving Widely Untapped *Waqf* Segment of Finance

In a world's first, Malaysia saw the initial public offering (IPO) of *waqf* shares through a company that manages endowed land in the country's southernmost state of Johor. The step is widely seen as an innovative strategy in Islamic finance for effective development of *waqf* properties in order to maximise benefits for the community.



Photo Credit: gulf-times.com

Waqf, under Islamic law, is a charitable endowment which involves donating a building, plot of land or other tangible assets for religious or charitable purposes with no intention of reclaiming the assets. The donated assets are normally held by a charitable trust in a system that Western law defines as usufruct.

In this case, Waqaf An-Nur Corp, a company set up by Johor Corp, a government-linked entity seeking to improve economic and societal development in the state, is offering shares worth around \$20mn backed by endowed land to retail and insti-

tutional investors and intends to use the proceeds to upgrade regional transport infrastructure in the state's capital of Johor Bahru.

The funds raised from the Shariah-compliant *waqf* IPO of the "Larkin Sentral Waqaf Properties Fund" will be used to renovate and upgrade the main and largest public transport terminal in Johor Bahru, Larkin Sentral, and its adjacent market, and for the acquisition of land for the construction of a multi-storey carpark by 2019.

Investors in the *waqf* shares will be eligible for tax deduction of up to 7% in case they are individuals and 10% in case they are companies or other institutional shareholders, namely retirement funds, cooperatives, foundations or workers' pension funds. The dividend from the *waqf* shares is aimed at helping small and low-income vendors and single-mother groups by reducing rental rates for the market's shop lots to a reasonable level.

Source: [Gulf Times](#)

Malaysia's Saturna, IDB Private Arm Launch Islamic Sustainable Fund

Malaysia-based investment firm Saturna Sdn Bhd and the private sector arm of the Islamic Development Bank launched a fund they say combines Islamic and sustainable investment principles.

The dual investment mandate for the new ICD Global Sustainable Fund highlights a trend among Islamic financial firms, which are gradually embracing the concept of socially responsible investing.

Islamic funds have predominantly followed passive filters that exclude sectors such as alcohol and gambling, but environmental, social and governance (ESG) criteria could see them take a more proactive investment approach.

The fund has \$36 million in seed capital, with around \$30 million coming from an unidentified Malaysian institutional investor. The rest is split between Saturna and the Jeddah-based Islamic Corporation for the Development of the Private Sector (ICD).

Monem Salam, president of Saturna and the fund's portfolio manager, said it will invest in global equities screened for sharia-compliance, while integrating a proprietary ESG rating system.

He said the initial focus is distributing the fund in Malaysia, but through the ASEAN fund passport - a regional agreement on cross-border investment fund marketing - the goal is to also tap Singapore and later Thailand.

Growth in Islamic asset management may have slowed in some areas, but the new fund could help tap into a wider audience in the responsible investment sector, said Salam.

"Over the next few years, we hope the fund can reach \$100 million in size, and we would like that to be majority sourced outside of Malaysia," the manager said.

ICD will help distribute the fund in markets including the Middle East, Salam said.

Saturna is a wholly-owned subsidiary of U.S.-based Saturna Capital Corporation, which has \$3.3 billion in assets under management.

Source: [Zawya](#)



Photo Credit: iifin.net

Sukuk Plagued by Complexity

Low oil prices have resulted in a growing interest in Islamic securities, or *sukuk*. In the first half of this year, global *sukuk* issuance reached US\$48 bil, a 37.7% year-on-year increase, according to data provided by S&P Global.

In a recent article critiquing the viability of *sukuk* as an asset class, The Financial Times notes that *sukuk* is only recently experiencing this spike in interest. It notes that the development is in contrast to earlier expectations that member-states of the Gulf Cooperation Council (GCC) would immediately turn to the financial instrument to shore up liquidity in light of falling oil prices.

Islamic finance is typically most widely used as an asset class in oil-exporting markets such as Malaysia and the GCC states. It was thus expected from as early as the start of the oil crisis in 2014 that the *sukuk* industry would benefit from more fundraising efforts by these Islamic sovereigns.

However, the reverse held true. While oil prices have been depressed since mid-2014 the *sukuk* market experienced an unexpected lull up until 2017.

Over 2015 and 2016 Islamic sovereigns instead fell back on the conventional bond market, and *sukuk* transaction volumes dipped to multi-year lows over the two-year period.



Photo Credit: thestar.com.my

The snub of *sukuk* puts a fluorescent question mark over its viability as a global financial instrument. Much of the blame was attributed to the complexity involved in *sukuk* issuance.

Speaking to The Financial Times, Mohamed Damak, senior director and global head of Islamic finance at S&P Global Ratings notes that there is a lack of standardised legal documentation in the issuance process, while the asset-backed structure of *sukuk* makes identifying appropriate assets difficult for some sovereigns.

Not many sovereigns have a physical asset to back a US\$1 bil *sukuk* issuance, for example. First-time sovereign issuers would also need to go through the hurdle of aligning *sukuk* transactions with existing rules on financial and taxation, and with any regulations linked to the underlying asset.

Sukuk also suffers from the oft-quoted criticism of not having a central sharia authority to streamline the various interpretations of sharia compliance.

For all its shortcomings, the *sukuk* market has clearly taken a turn for the better in the first six months of 2017. Damak cites a good liquidity environment helped by improving oil prices in 2016 and a desire to diversify the investor base as the reason for the spike in interest. However, he expects the momentum to falter going into 2018.

Source: [The Star](#)

Saudi Arabia Raises \$4.53bln in First Domestic *Sukuk* Tranche

Saudi Arabia has raised 17 billion riyals (\$4.53 billion) from investors for its riyal-denominated Islamic bonds.

Saudi Arabia's government offered its first riyal-denominated Islamic bonds to investors on Sunday, auctioning *sukuk* with maturities of five, seven and 10 years, a document seen by Reuters showed.

The kingdom's Ministry of Finance said it received more than 51 billion riyals (\$13.60 billion) worth of bids from investors, resulting in 300 percent coverage ratio.

The first tranche, of 12 billion riyals, matures in 2022; the second tranche, of 2.9 billion riyals, matures in 2024; and the third tranche, of 2.1 billion riyals, matures in 2027, it said.

Riyadh is launching a domestic *sukuk* issuance programme to help cover a large budget deficit caused by low oil prices.

The Finance Ministry said last week that 13 domestic banks had qualified to participate in its domestic *sukuk* issues.

Source: [Zawya](#)



Photo Credit: zawya.com

Malaysia's First Green *Sukuk* Under Security Commission's Sustainable Responsible Investment *Sukuk* Framework

Securities Commission Malaysia (SC) announced the issuance of Malaysia's first green *sukuk* – an innovative channel to address global funding gaps in green financing – under its Sustainable & Responsible Investment (SRI) *Sukuk* framework.

Tan Sri Ranjit Ajit Singh, Chairman of SC said, “The launch of Malaysia's first green *sukuk* marks another significant milestone in product innovation that strengthens Malaysia's position as a leading Islamic finance marketplace as well as its value proposition as a centre for sustainable finance.”

“We believe that there is a significant opportunity arising from strong global interest in green financing where innovative fundraising instruments like green and SRI *sukuk* is a viable solution to address global needs for green and other forms of sustainable and responsible financing,” added Ranjit.

To complement SRI *Sukuk* framework and promote greater utilisation of green *sukuk* as a fundraising channel, several incentives are in place to attract green issuers includ-

ing tax deductions, and tax and financing incentives.

The framework underlying this first green *sukuk* is the result of collaboration between SC, Bank Negara Malaysia and the World Bank Group, in an effort to develop an ecosystem to facilitate the growth of green *sukuk* and to introduce innovative financial instruments to tackle global infrastructure needs and green financing.

“With the successful development of the framework for the first green *sukuk*, Malaysia is playing a pioneering role in harnessing capital markets, and in particular Islamic finance, for climate friendly investments,” said Faris Hadad-Zervos, World Bank Representative to Malaysia. “This is a crucial step in financing the country's infrastructure investments and the World Bank Group is pleased to be a close partner with Malaysia in developing this innovative approach to climate finance. We congratulate Malaysia on this historic achievement.”

Source: [Securities Commission Malaysia](#)



BEWG Issues *Sukuk Wakalah*; First-Ever by Chinese-Owned Company

China-owned water treatment company BEWG (M) Sdn Bhd made its debut on the Malaysian *sukuk* market following the success of its issuance of a RM400 million Islamic Term Note.

The *Sukuk Wakalah* is the first-ever ringgit-denominated *sukuk* issued by a Chinese conglomerate for water infrastructure project.

Proceeds from the issuance will be used to partly finance the refurbishment and upgrading of a water treatment plant in Kemaman, Terengganu, which BEWG secured from the state's government in November 2015.

The project value is RM687 million.

BEWG chief executive officer Datuk

Vence Ong Kian Min said the *sukuk* is the company's first-ever debt capital market instrument, besides being the first and the largest ringgit-denominated *sukuk* issuance by a China-owned company to date.

Ong said the issuance is an important milestone for BEWG in enhancing its profile and increasing its recognition among local investors, paving the way for future fundraising exercises in Malaysia.

The *sukuk* carries a rating of AAIS, with a stable outlook, by Malaysian Rating Corp Bhd.

BEWG is a wholly-owned indirect subsidiary of Beijing Enterprises Water Group Ltd, and was incorporated to undertake water treatment projects in Malaysia.

Source: [New Straits Times](#)



Photo Credit: meglobaladvisors.com

Upcoming Events (Aug— Oct 2017)

Islamic Finance Leadership Program	London, United Kingdom	13-18 Aug 2017	Event Details
11th IFSB-INCEIF Executive Forum: Creativity and Innovation in Islamic Financial Products - Standardisation and Competitiveness	Kuala Lumpur, Malaysia	16-17 Aug 2017	Event Details
Asia Islamic Banking and Takaful Conference	Kuala Lumpur, Malaysia	28-30 Aug 2017	Event Details
Morocco: Islamic Finance Gateway to Africa and Europe	Casablanca, Morocco	28-29 Sep 2017	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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