

		Value	MoM	QoQ	YoY	
Islamic Finance Climbs Higher on UNDP Agenda	2	10/10/17	9/10/17	7/10/17	10/10/16	
Equity						
		Dow Jones Islamic Index	3484.70	▲2.46%	▲6.80%	▲17.38%
		Dow Jones Global Index	381.09	▲2.74%	▲5.99%	▲18.02%
Russia's Sberbank Considers Islamic Finance Entity	2	MSCI Islamic Index	1289.24	▲2.04%	▲5.66%	▲12.29%
		MSCI World Index	2013.12	▲2.47%	▲5.01%	▲17.09%
		MSCI Emerging Market Index	1100.42	▲0.85%	▲9.03%	▲19.78%
Fixed Income						
Malawi Approves Islamic Banking, Sharia-Compliant Services	3	LIBOR 6 Month	1.5188	▲0.071	▲0.057	▲0.258
		<i>Murabaha</i> USD 6 Month	1.4968	▲0.006	▲0.139	▲0.568
		Dow Jones <i>Sukuk</i> Index	103.21	▼-0.62%	▲0.74%	▼-0.73%
		Bloomberg Emerging Market Bond Index	168.71	▼-0.33%	▲3.19%	▲5.63%
Insurance						
SC and ISRA Publish Textbook on "Sukuk: Principles and Practices"	3	Bloomberg <i>Takaful</i> Index	139.39	▼-0.08%	▲0.75%	▲27.42%
Fintech to Stimulate Global Adoption of the Islamic Economy	3	Mark-up <i>Murabaha</i> USD Rates		<i>Murabaha</i> Rate vs LIBOR		
Green <i>Sukuk</i> Set to Become Sustainable Investment Tools	4	Dow Jones Global vs Dow Jones Islamic Indices		Bloomberg <i>Takaful</i> Index		
Turkey to Issue Gold-backed Bonds and <i>Sukuk</i>	4	Dow Jones <i>Sukuk</i> Index vs Bloomberg Emerging Market Composite Bond Index				
Nigeria Welcomes Oversubscribed Debut Sovereign <i>Sukuk</i> Issue	5	Sukuk and Islamic Financing*				
Saudi Arabia Raises \$1.87 Billion in Islamic Bond Issue to Finance Budget Deficit	5					
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* Bloomberg

Islamic Finance Climbs Higher on UNDP Agenda

In the 72nd session of the UN General Assembly held from September 19 to 25 in New York the public and private stakeholders, and investors gathered for the high level side event- 'Realizing Agenda 2030: How Islamic Finance through Impact Investing can help achieve the SDGs,' and discussed how Islamic finance can be tapped as a strong and scalable funding source for global development. The event was co-organized by the Islamic Development Bank and UNDP, with support of the Organization of Islamic Cooperation (OIC) New York office, coinciding with the 72nd session of the UN General Assembly.

The objective of the high level event was to increase awareness and generate interest about the potential of Islamic finance and impact investing instruments, particularly by addressing the long-term investment needs of the Sustainable Development Goals (SDGs). The event brought Islamic and other development financiers together, to explore new partnership opportunities towards the implementation of the Global Goals.

According to Magdy Martínez-Soliman,

UN assistant secretary general and director of UNDP's Bureau for Policy and Programme Support, the gap in SDG financing is currently estimated at \$2.5tn every year. "Official development assistance alone is not an adequate source of financing," he said, adding that Islamic finance could effectively come to the rescue.

"Islamic finance is one of the fastest growing sources of finance in the global financial industry with global assets in the sector expected to reach \$3.5tn in 2021. Considering the scale, I would like to underline that Islamic finance could offer a strong, non-traditional source of financing to advance SDG implementation," Martínez-Soliman said.

The IDB, for its part, has made it clear that it is strongly committed to supporting the deployment of Islamic finance instruments for achieving the SDG. As a key driver, it established the Global Islamic Finance and Impact Investing Platform (GIFIIP) which has been tasked with creating a framework for an Islamic finance-based impact investing ecosystem.

Source: [UNDP](#), [Gulf Times](#)



Photo Credit: <http://ifkr.isra.my>

Successful implementation of the 2030 Agenda requires a significant amount of financial resources, beyond traditional development financing. Innovative approaches are required to unlock new sources of capital.

Russia's Sberbank Considers Islamic Finance Entity

Russia's largest lender Sberbank is considering setting up an Islamic finance entity and will propose regulatory changes to facilitate sharia-compliant business, a senior bank official said.

Russian banks want to develop Islamic finance to attract investors from the Gulf and Southeast Asia, underscoring efforts to widen funding sources strained by an economic crisis and Western-imposed sanctions. Vnesheconombank and Tatfondbank are also developing Islamic finance products.

Lobbying by Sberbank, majority owned by the central bank and holding around a third of domestic bank deposits, could be key to the development of Islamic finance in Russia where retail demand has so far been untested. Only about 20 million of its 145 million people are Muslims.

Until now, Sberbank has explored Islamic finance within existing regulations but it plans to present draft regulatory changes to authorities by the end of the year, Oleg Ganeev, deputy chairman of the executive board, said.

Legislation will need to be passed in Russia to make Islamic finance cost-effective. Taxation is often an obstacle for Islamic finance transactions, which can attract double or triple tax duties since they require multiple transfers of underlying assets.

Sberbank is currently testing pilot transactions in leasing, financing food production and trading, after closing a maiden Islamic finance deal last year, Ganeev said, adding that a decision on whether to set up a separate entity could come by next year.

Source: [Reuters](#)



Photo Credit: worldfinance.com

Malawi Approves Islamic Banking, Sharia-Compliant Services



Malawi government has approved to embrace the Islamic banking system which doesn't demand any interest from the borrowers as is the case with non-Islamic banking systems.

Registrar of Financial Institutions Dalitso Kabambe, who is also Reserve Bank Governor, says in the approval document seen by Nyasa Times that this will be through "Window Model Only."

"This shall entail banks offering Islamic (non-interest) Banking products alongside conventional banking facilities," says

Kabambe.

He says in this regard; bank supervisors will shortly be engaging with each bank to prove guidance on reporting requirements of Sharia-compliant products and services.

"Once developed, the guidelines will be shared with each bank," said Kabambe.

The International Monetary Fund (IMF) said in its recent report that Islamic finance has potential to spur inclusive growth but calls for its proper regulation and supervision.

Source: [All Africa](#)

SC and ISRA Publish Textbook on "Sukuk: Principles and Practices"



Photo Credit: <http://ifikr.isra.my>

Securities Commission (SC) and The International Shari'ah Research Academy for Islamic Finance (ISRA) have released a joint publication on 'Sukuk: Principles & Practices'.

It is the second publication under the collaboration between SC and ISRA, following the success of previous joint publication, 'Islamic Capital Markets: Principles & Practices' in 2015.

The 'Sukuk: Principles & Practices' textbook focuses on the theories and practices governing *sukuk* across various juris-

dictions while adopting a global perspective when discussing the subject.

It serves as a vital source of reference to academicians, students and practitioners to gain greater understanding on *sukuk* and in turn, contribute towards continuing growth and expansion of the *sukuk* market globally.

SC and ISRA said the launch of the textbook is timely in view of the increasing role of *sukuk* as an important source of capital formation to finance the development of a country's economy.

Source: [New Straits Times](#)

Fintech to Stimulate Global Adoption of the Islamic Economy



Photo Credit: zawya.com

The US financial services sector, valued at \$1.7 trillion, has been driven by the technological revolution that has changed the way we save, invest, spend and borrow. According to Accenture, nearly \$18.9 billion was invested in emerging financial technology (fintech) companies worldwide this year to date, compared to \$17.6 billion during the same period in 2016. This makes fintech the engine of the future global economy and a key element in ensuring its sustainability.

With the World Bank seeking to ensure that every adult has a bank account by 2020, fintech has the potential to shake up the global financial sector and promote financial inclusion through catering

to the needs of low-income families and improving the standard of living for people in developing countries. Islamic finance in particular offers secure solutions to small and medium enterprises, bridging the gap between financial institutions and those that seek project financing.

Combining safe investment and social responsibility with innovation and effective utilisation of available tools, Islamic finance can adopt any contemporary financial instruments and put them to good use. Crucial to the growth of the Islamic economy, the competitiveness of Islamic financial institutions will significantly grow from their cooperation with the fintech sector.

Source: [Zawya](#)

Green *Sukuk* Set to Become Sustainable Investment Tools

Islamic bonds or *sukuk* investing in environmentally sustainable projects, renewable energy and climate change initiatives – called green *sukuk* – have become increasingly popular in the recent past as part of socially responsible or impact investment strategies of countries and companies alike.

In the latest development, Malaysia, the global front-runner in Islamic finance, saw its first *sukuk* under a new sustainability framework issued in July 2017 when Malaysian solar power firm Tadau Energy came out with a green *sukuk* with a tenure of 16 years, raising 250mn ringgit (\$59.2mn) from investors.

In a nutshell, green *sukuk* are built upon the characteristics of Shariah-compliant financing as a socially and ethically responsible financing instrument. This has raised interest in the international finance market as the method is seen as a perfect fit to fund larger and environmentally critical infrastructure projects. For example, proceeds from green *sukuk* can be used to finance and refinance construction debt, fund government-granted environment subsidies or support initiatives as part of the sustainable development goals drafted by the United Nations, as well as for impact investment strategies of private companies or asset managing firms.

Malaysia's Securities Commission came up with a "Sustainable Responsible Investment Sukuk Framework" as early as in 2014, defining new requirements for the issuance of green *sukuk*. The new regulation clarified that proceeds of such *sukuk* should be used to

preserve the environment and natural resources, conserve the use of energy, promote renewable technologies and reduce greenhouse gas emissions. The first *sukuk* issued under this regulation was the above mentioned solar power bond.

Another initiative emerged in the Gulf Cooperation Council, where three institutions, Masdar City's Clean Energy Business Council for Mena, the Climate Bonds Initiative and the Gulf Bond and Sukuk Association, set

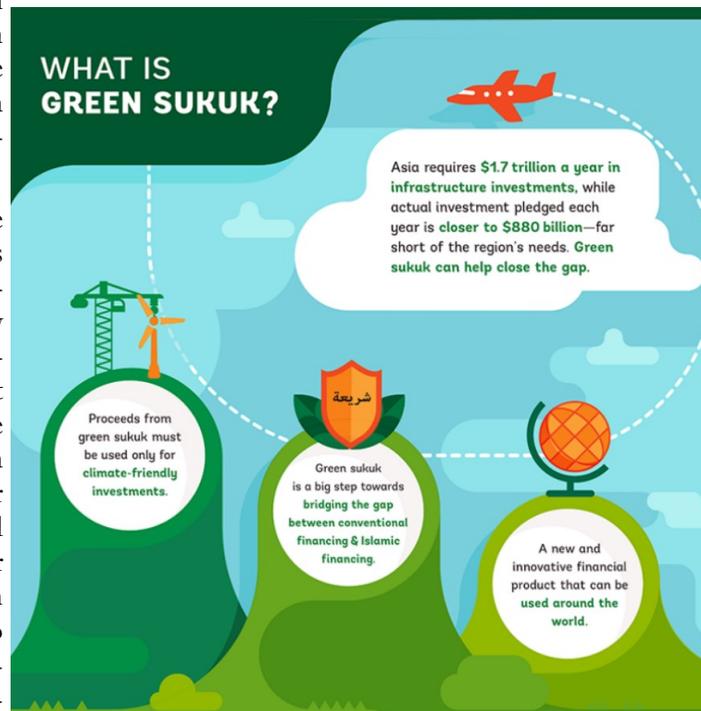
up the "Green Sukuk and Working Party" as a collaboration of experts in project development, environmental standards, capital markets, and Islamic finance. The group is now developing green *sukuk* for interested issuers, including governments, companies, financial firms and development banks.

Given the high demand for infrastructure projects in Asia, which also often have considerable environmental impact, the demand for green *sukuk* seems to be huge, particularly as the investor base can be extended

beyond Muslim investors to the entire financial market by combining Islamic finance and sustainable or impact investment.

The *sukuk* market is now predestined to channel the growing global Shariah-compliant capital pool to fund renewable energy and climate change projects, as well as other projects with socially meaningful impact.

Source: [Gulf Times](#)



Turkey to Issue Gold-backed Bonds and *Sukuk*

Turkey will issue gold-backed bonds and *sukuk* starting from October 2, the treasury said in a statement, to attract into the economy gold savings held by households.

The maturity of the bond and *sukuk* will be 728 days, with a 6-month interest of

1.20 percent, index-linked to gold prices, the treasury said in a statement.

The latest initiative of Turkey's Treasury aims to diversify financial instruments by further deepening the financial market as well as encouraging the savings rate.

Source: [Reuters](#)



Photo Credit: paraanaliz.com

Nigeria Welcomes Oversubscribed Debut Sovereign *Sukuk* Issue

Nigeria's debut 100 billion naira sovereign *sukuk* issue launched on September 14 was more than 5.8 percent oversubscribed, the Debt Management Office said, suggesting it may tap this demand more to help fund its budget.



Photo Credit: pulse.ng

Nigeria has a growing consumer and corporate banking sectors and is home to the largest Islamic population in sub-Saharan Africa, with Muslims accounting for about half of its population of 180 million.

“With the success of the (*sukuk*) offer, another window has been opened for the government to raise funds to close Nigeria's infrastructure gap,” the debt office (DMO) said in a statement.

The seven-year Islamic bond, which is structured as a lease and guaranteed by the government, fetched 105.87 billion naira in bids from retail and institutional investors, the DMO said.

The proceeds of the bond would be used to construct and maintain roads in Africa's most populous country, it said.

The debt, which it had originally expected to sell in June via a book-building process,

will yield a 16.47 percent rental rate, payable semi-annually. The sale ended on Sept. 22.

Africa's biggest economy raised \$1.5 billion via a Eurobond in the first quarter and another \$300 million from its own citizens living overseas. It plans to raise a further 20 billion naira via a “green bond” in addition to refinancing up to \$3 billion worth of short-term treasury bills.

The country's economy grew in the second quarter, climbing out of recession as oil revenues rose, but the pace of growth was slow, suggesting a fragile recovery.

The Islamic bond sale is part of Nigeria's plans to develop alternative funding sources for the government and to establish a benchmark curve for corporates to follow, the DMO has said.

Nigeria plans to borrow both locally and from offshore sources to help fund a budget deficit worsened by lower oil prices, which have slashed government revenues and weakened the naira currency.

In 2013, Nigeria's Osun State issued 10 billion naira worth of *sukuk* debt, paving the way for the latest issue.

Source: [Reuters](#)

Saudi Arabia Raises \$1.87 Billion in Islamic Bond Issue to Finance Budget Deficit

Saudi Arabia has raised \$1.87 billion in a new Islamic bond issue as the kingdom bids to finance a budget deficit resulting from low oil prices.

Demand was strong for the third sale of Islamic bonds, known as *sukuk*, this year with orders exceeding 24 billion riyals (\$6.4 billion), the finance ministry said in a statement cited by the SPA state news agency.

The first two issues were made in April and July and were worth a total of \$13.5 billion. The kingdom had also issued conventional domestic and global bonds.

The largest Arab economy is suffering

from a sharp slide in oil revenues since crude prices plummeted in mid-2014, forcing Riyadh to cut subsidies and delay projects.

The kingdom has forecast a budget deficit of \$53 billion this fiscal year, down slightly from last year's shortfall.

Riyadh has also withdrawn more than \$230 billion from its fiscal reserves since the end of 2014 to finance the budget deficit. Its reserves now stand at just over \$490 billion.

Economic growth in Saudi Arabia is expected to be 0.1 percent this year, according to the International Monetary Fund.

Source: [Daily Sabah](#)



Photo Credit: worldfinance.com

Upcoming Events (Oct— Nov 2017)

Africa International Conference on Islamic Finance	Abuja, Nigeria	16-17 Oct 2017	Event Details
The Islamic Financial Services Board (IFSB) Summit 2017	Abu Dhabi, United Arab Emirates	22-24 Oct 2017	Event Details
Shariah Financial Planning Conference II 2017 (SFPC II 2017)	Negeri Sembilan, Malaysia	27 Oct 2017	Event Details
12th International Shari'ah Scholars Forum (ISSF2017)	Kuala Lumpur, Malaysia	1-2 Nov 2017	Event Details
The 7th Islamic Economic System Conference (iECONS) 2017	Muscat, Oman	7-8 Nov 2017	Event Details
International Islamic Banking Summit Africa	Djibouti	8-9 Nov 2017	Event Details
1st International Conference on Islamic Economics, Business, and Philanthropy (ICIEBP)	Bandung, Indonesia	15 Nov 2017	Event Details
KFUPM Islamic Banking and Finance Research Conference	Saudi Arabia	19-20 Nov 2017	Event Details
The 3rd Islamic Finance Conference 2017	Jeddah, Saudi Arabia	22 Nov 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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