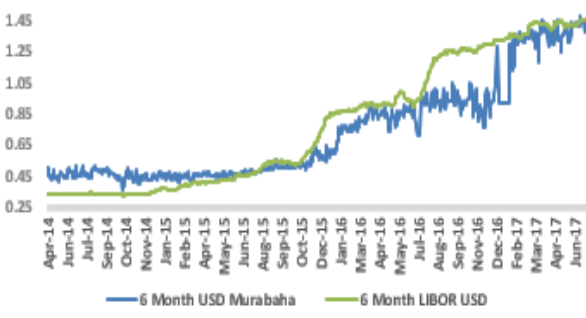
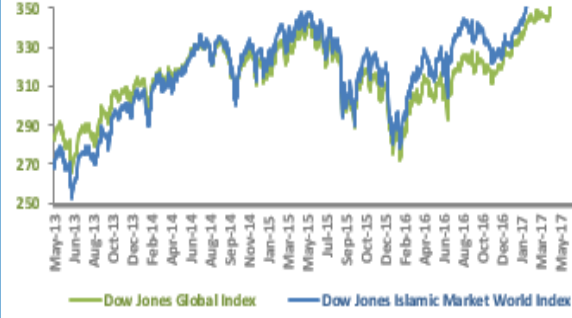
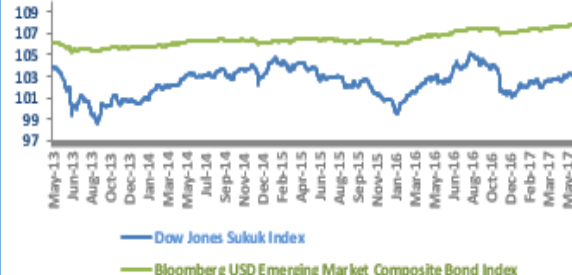



Islamic Finance gets on its Feet in North Africa	2		Value	MoM	QoQ	YoY
			7/6/17	6/6/17	6/4/17	6/7/16
		Equity				
		Dow Jones Islamic Index	3244.00	▼-1.99%	▼-2.29%	▲12.09%
		Dow Jones Global Index	358.45	▼-0.80%	▼-1.21%	▲13.55%
Islamic Banking Assets in UAE Hit \$142billion in Q1 2017	2	MSCI Islamic Index	1224.37	▼-1.15%	▼-1.60%	▲8.10%
		MSCI World Index	1920.32	▼-0.30%	▼-0.77%	▲13.34%
		MSCI Emerging Market Index	1009.85	▼-0.59%	▼-0.52%	▲20.81%
		Fixed Income				
		LIBOR 6 Month	1.4577	▲0.041	▲0.029	▲0.509
		<i>Murabaha</i> USD 6 Month	1.4442	▲0.021	▲0.023	▲0.542
Indonesian Finance Authority Launches Islamic Finance Road Map	3	Dow Jones <i>Sukuk</i> Index	102.71	▼-0.49%	▼-0.60%	▲0.11%
		Bloomberg Emerging Market Bond Index	163.76	▼-0.79%	▼-0.57%	▲7.44%
		Insurance				
		Bloomberg <i>Takaful</i> Index	137.23	▲2.36%	▲0.90%	▲5.19%
World's Largest Muslim Countries to Cooperate in Islamic Finance	3	Mark-up <i>Murabaha</i> USD Rates		<i>Murabaha</i> Rate vs LIBOR		
						
'Islamic First' Strategy Puts Malaysia on Track Toward 40% <i>Shariah</i> Banking Goal	4	Dow Jones Global vs Dow Jones Islamic Indices		Bloomberg <i>Takaful</i> Index		
						
World's First Gold Backed Digital Currency Launched	4	Dow Jones <i>Sukuk</i> Index vs Bloomberg Emerging Market Composite Bond Index		<i>Sukuk</i> and Islamic Financing*		
						
January-May GCC <i>Sukuk</i> Issuance Volume Exceeds 2016's Full Year Total Value	5					
The <i>Sukuk</i> Industry Faces a Crisis	5					
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* Bloomberg

Islamic Finance gets on its Feet in North Africa

Governments in North Africa are increasingly leaning towards solid regulations for Islamic finance in a quest to find *Shariah*-compliant alternatives for decreasing conventional funding sources in order to rein in their current account and budget deficits. These initiatives come at a time when the share of global Islamic finance assets of Muslim-majority North African countries stand at just around 1%, according to calculations by Standard & Poor's, indicating substantial potential for the entire banking and finance sector in the region. Currently, just a few Islamic retail banks operate in North African states, and they account for only a very small proportion of total bank deposits, while corporate Islamic banking is rarely heard of.



Photo Credit: gulf-times.com

After Morocco, whose central bank in March this year delivered an Islamic finance regulation framework that allows the launch of Islamic banks with the aim of tapping Islamic investors, Algeria emerged as the next North African country to venture into the Islamic finance industry, this time to counter a significant drop in oil income. The North African Opec member is now for the first time initiating an action plan that encompasses preparations to establish a regulatory and legal framework for Islamic finance and to issue *sukuk*. Plans are to set up no less than six state-run Islamic banks overseen by a yet-to-establish national *Shariah* board to start Islamic financial services by the end of 2017 or in early 2018.

These activities of widening the footprint of Islamic finance in North Africa are being initiated in a region where a combination of lacklustre economic growth, informal economic structures, a general lack of banking services outside urban centres, the economic fallout from the Arab Spring and lower sovereign income from commodities have made changes in the structure of the financial sector necessary, if not imperative. And, as a result of the global economic slowdown over the past decade, the limited capacity of multilateral lending institutions has also pushed North African countries to consider Islamic finance structures as an alternative to raise foreign currency funds.

North Africa has poor infrastructure and therefore a substantial need for project finance, the AfDB said, adding that Islamic financing facilities had the potential to harness funds for both commercial and development projects, could diversify funding sources, ensure better monitoring of funds deployment and could contribute to private sector development in North Africa. Even more so since there has been some positive capital market development in North Africa, with stock markets in Egypt, Morocco and Tunisia showing more liquidity and higher trading activity in the recent past, while sovereign and corporate *sukuk* could attract investment funds from Arab investors and provide a useful instrument for liquid holdings of Islamic banks.

Source: [Gulf Times](#)

Islamic Banking Assets in UAE Hit \$142billion in Q1 2017

The UAE's AED522 billion Islamic banking assets will help fuel the growth of the country's Halal sector, according to a research conducted by Orange Fairs and Events, organisers of the Halal Expo – Dubai, 2017.

Seven Islamic banks out of the 23 registered commercial banks in the UAE represent nearly a fifth of the country's banking assets. Islamic banks' assets grew three times more than the conventional banks' assets during Q1 2017, said the research, quoting data from the UAE Central Bank's latest quarterly report.

"In the first quarter of 2017, Islamic banks' assets

had a higher growth of 3.2% than the conventional ones-1%- while on an annual basis Islamic banks grew by eight percent and continued to dominate the conventional banks growth that showed an increase of 5.9 percent," the CB report mentioned.

Islamic banks' credit to individuals recorded 7.6 percent to AED126 billion in Q1 2017 compared to a two percent growth in the conventional banks' credit to individuals that reached AED224 billion for the same period.

Source: [Zawya](#)



Photo Credit: shutterstock.com

Indonesian Finance Authority Launches Islamic Finance Road Map

The Financial Services Authority (OJK) launched a road map for the development of Islamic finance in Indonesia for the 2017-2019 period, aiming to create sustainable Islamic financial services that can compete with conventional services in Indonesia.

The road map is expected to address various challenges related to the sharia financial industry, such as small market share, limited variation of products and lack of literacy on sharia finance products, said OJK Board of Commissioners chairman Muliaman D Hadad.

“We also hope that the road map can solve the shortage in human resources, optimize coordination with stakeholders and harmonize financial services policies,” Muliaman said in Jakarta.

Each Islamic financial sector — sharia banking, sharia capital market and sharia non-bank financial industry — organizes its own road map during the period.

“In the period between 2017 and 2019, the three established road maps will be used to synchronize the development of the Islamic financial industry to the master plan of the Indonesian financial services,” Muliaman said.

He also emphasized the importance of making the sharia financial industry inclusive and able to meet the needs of small and medium-scale to large-scale financing.

Currently, the market share of Islamic finance covers only about 5 percent of the country’s total financial services.

Source: [The Jakarta Post](#)



Photo Credit: thejakartapost.com

World’s Largest Muslim Countries to Cooperate in Islamic Finance

The two largest Muslim countries in the world, Kazakhstan (largest in area) and Indonesia (largest as per Muslim population) agreed, among other things, on a close cooperation in Islamic finance and the halal industry, media representatives were told after the First Bilateral Consultation Meeting between the two countries held in Jakarta on June 16. According to Kazakhstan’s Deputy Foreign Affairs Minister Akylbek Kamaldinov, his country would be eager to learn from Indonesia about regulations and financial frameworks for Islamic finance, as well as about halal products, particularly in the pharmaceutical sector.

“Kazakhstan has a vision to become the centre of Islamic finance and halal industry in Central Asia,” he told Indonesia’s state news agency Antara News, adding that the Kazakh government had also invited Indonesian business players to cooperate in developing the halal pharmaceutical industry in the country.

The move comes just shortly after the Indonesian government through its financial services authority Otoritas Jasa Keuangan (OJK) on June 13 launched a road map for the development of Islamic finance in the country for the 2017-2019 period.

In turn, Kazakhstan could benefit from getting inputs from such a master plan towards a more inclusive Islamic finance industry. The former Soviet republic as early as in 2009 passed its first laws for Islamic banking, becoming the first country in the Commonwealth of Independent States to do so. However, the development of the *Shariah* finance industry remained in its infancy, which has mainly to do with obstacles such as the 2009 regulation not permitting the conversion of conventional banks into Islamic ones, nor allowing conventional banks to offer Islamic banking products through Islamic windows.

This has been amended only in 2015 as a result of the Kazakh government’s commitment to creating a supportive ecosystem for Islamic finance in the country, driven by its aim to establish the new Astana International Financial Center as a regional Islamic finance hub along the New Silk Road.

Analysts say a cooperation between Kazakhstan and Indonesia could be highly beneficial for both countries in their quests to utilise Islamic finance to diversify their natural resources-centred economies by attracting more foreign investments into non-oil sectors. Islamic finance is also seen as a key enabler to finance much-needed and important transport, energy, technology and communication infrastructure in either nation.

Source: [Gulf Times](#)



Photo Credit: gulf-times.com

'Islamic First' Strategy Puts Malaysia on Track Toward 40% *Shariah* Banking Goal

The retail and corporate segments will continue to present opportunities for Malaysian Islamic banks to grow, especially in the second half, as domestic business and consumer sentiments improve on the back of a global stabilization in macroeconomic conditions.

Expecting a 7% credit growth this year and for better operating conditions next month onward, Simon Chen, a Moody's Investors Service vice-president and senior analyst, is optimistic that the Southeast Asian *Shariah* banking powerhouse would meet its 40% Islamic banking market share target by 2020 as planned, as banking players focus on pushing *Shariah* compliant solutions to customers – both Muslims and non-Muslims.

"We believe the country is on track given the active promotion by regulators and banks – we see many banks in Malaysia adopting the 'Islamic first' policy whereby they are offering new customers Islamic products over conventional and this will support the growth for Islamic finance," Chen says.

The sunny forecast, however, is not all clear of dark clouds.

Alarming household leverage levels are one of the "pockets of risks" Chen thinks could weaken the balance sheets of banks if not managed properly: almost two-thirds of Islamic banks' financing portfolio (59%) is exposed to the household sector. As at the end of 2016, the household debt-to-GDP ratio stood at 88.4%, one of the highest in the region.

"Over the next 12-18 months, we might potentially see some asset quality pressures if interest rates increase or should there be a persistent increase in unemployment rates," predicts Chen. For now though, Islamic banks have asset quality and liquidity risks under control. "So far, banking asset quality has been resilient, supported by stable employment conditions which in turn supported stable household income and debt serviceability."

It is also looking likely that the Malaysian banking landscape would undergo a facelift over the next 18 months as several players – both fully-fledged Islamic banks and Islamic subsidiaries of larger conventional banking groups – gear up to consolidate businesses to bolster capabilities and gain market share.

Source: [IFN](#)



Photo Credit: alamy.com

World's First Gold Backed Digital Currency Launched

OneGram, an Islamic financial services and technology company, is partnering with GoldGuard, which is building one of world's largest gold vaults in Dubai, to create the world's first completely gold-backed digital currency.

Each token will represent and be redeemable for one gram of gold, a statement said.

OneGram said in the statement that it has Shariah scholars on its board to ensure that it is fully compliant with Islamic finance requirements.

A maximum total of 12,400,786 OneGramCoin tokens (OGC) will be sold, making it the largest cryptocurrency crowdsale goal in history, it added.

At the current spot price of gold, a sold out crowdsale would raise nearly \$555 million.

The Islamic finance sector is currently responsible for managing 1 percent of global GDP and is growing at nearly 20 percent per year, the statement said.

There are more than 2 billion Muslims worldwide and OneGram is seen as a Sharia-compliant method for them to keep gold in a digital format that is both secure and digitally transferable, including across borders, at the same time.

Source: [Arabian Business](#)



Photo Credit: onegram.org

January-May GCC *Sukuk* Issuance Volume Exceeds 2016's Full Year Total Value

In only five months, GCC corporate and sovereign *Sukuk* issuances have already exceeded 2016's volume of issuance.

Between January and May, GCC issuers raised US\$22 billion in comparison with US\$21 billion in 2016, sustaining the strong *Sukuk* issuance momentum which surged 74.6% last year from US\$12.6 billion in 2015, according to Fisch Asset Management.

The Islamic capital market's positive performance is not exactly a surprise as the low price of the barrel has been pushing GCC countries to tap the debt market in order to plug their budget deficits and enable the funding of infrastructure and development

projects. Moreover, since all Gulf countries except Kuwait peg their currencies to the dollar, issuers were expected to front-load their issuance ahead of Fed rates increase. Corporate debt also enjoyed a strong performance as investment grade -rated bond spreads dropped by 20bps, significantly outperforming Asia, where spreads have seen a decline of only 4bps.

Less cyclical and more structural reasons like the ongoing strong investor demand for emerging market assets, due to the higher yield available compared to developed markets also drove *Sukuk* issuances, affirms Fisch Asset Management.

Source: [IFN](#)



Photo Credit: nst.com.my

The *Sukuk* Industry Faces a Crisis

Dana Gas, an exploration business listed in Abu Dhabi, seems in a spot of bother; as it struggles to recover \$900m it is owed and is now facing a liquidity squeeze. That is not, however, why it says it wants to restructure \$700m-worth of Islamic bonds maturing in October 2017. Rather, it says it has received legal advice that the bonds are no longer *shariah* compliant.

The bonds were deemed compliant in 2013, but Dana cites evolution in the “interpretation” of Islamic financial instruments. It is seeking to have them declared invalid in a United Arab Emirates court. Its domestic assets are shielded from creditors under UAE law; it has also obtained injunctions in Britain and the British Virgin Islands protecting it from claims until the case is settled. Hearings are not due to start before December, months after the bond's next payment-due dates.

Creditors are enraged. Dana Gas is proposing to exchange the *sukuk* for a new, sharia-compliant security that would confer rights to less than half of current profit rates, so that the company can focus on “cash preservation”. (Though, if sharia compliance was its only motive, nothing would prevent it

from issuing new *sukuk* with the same economic value.)

Should Dana prevail, the biggest loser might be Islamic finance at large. The award would surely embolden other issuers, raising uncertainty for holders of all types of *sukuk*.

The impact of the case will be magnified by the evolving profile of *sukuk* investors. Over the past couple of years, low oil prices and the liquidity pressures they have brought to the Gulf have prompted governments to start raising bonds from foreign investors. Some of the borrowing happened via Islamic bonds, the complexity of which time-poor investors were happy to overlook so long as *sukuk* offered a risk-return profile similar to that of conventional bonds. Should sharia pronouncements prove reversible—or creditors be faced with the risk of long legal battles—this appetite would rapidly shrink.

The price, eventually, would be borne by borrowers. In oil-rich countries, a glut of savings in search of sharia-compliant investments has so far helped compress yields, making *sukuk* a more affordable option for issuers than comparable conventional bonds

Source: [The Economist](#)



Photo Credit: arabianbusiness.com

Upcoming Events (July— Sept 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
Asia Islamic Banking and Takaful Conference	Kuala Lumpur, Malaysia	28-30 Aug 2017	Event Details

New Publications

Shariah-compliant Trade Finance: Developments and Opportunities	Download Publication
Free Zones Outlook 2017: Shaping the Growth of the Islamic Economy	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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