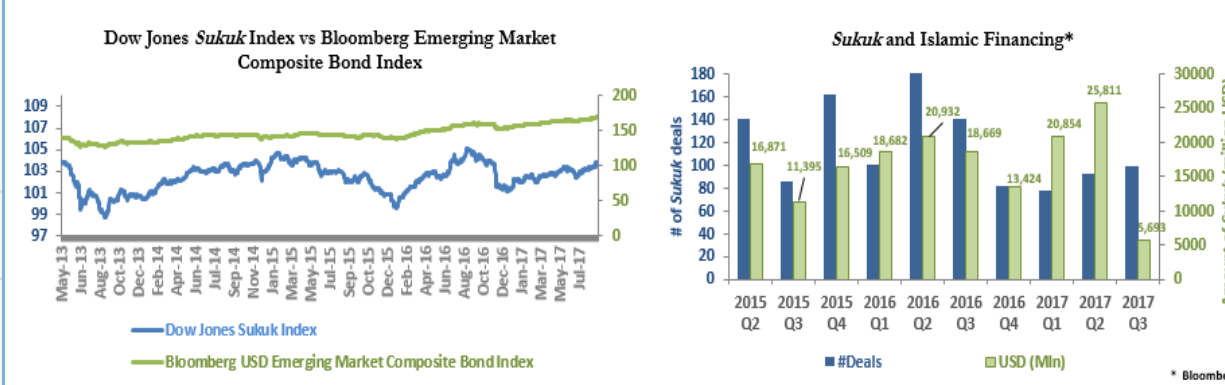
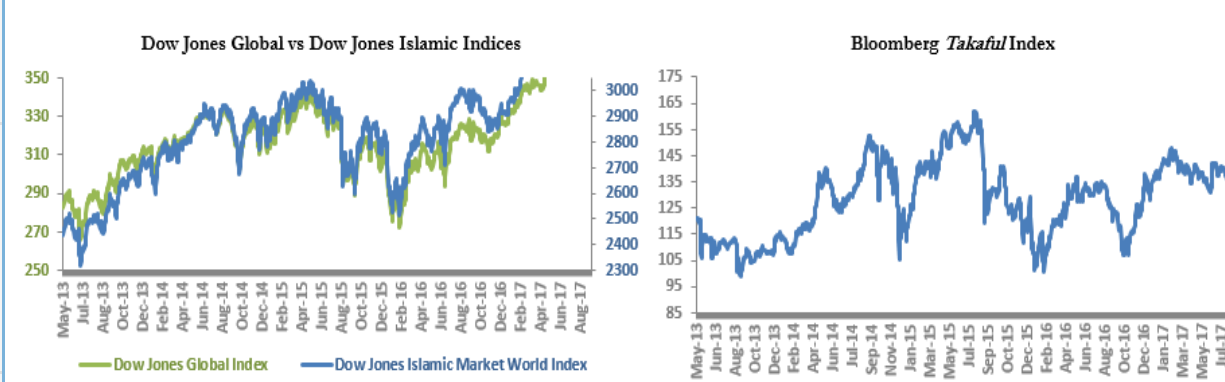
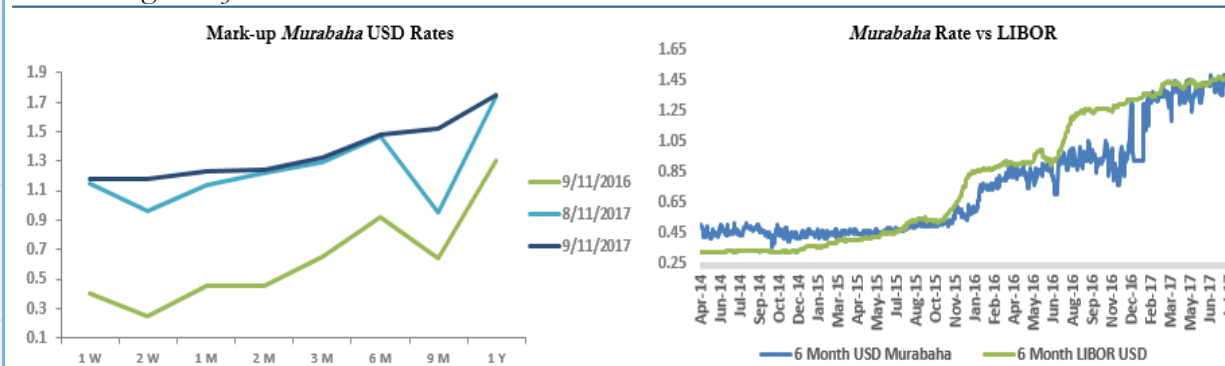


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	Value	MoM	QoQ	YoY
	9/11/17	8/11/17	6/11/17	9/11/16
Equity				
Dow Jones Islamic Index	3417.28	▲3.14%	▲3.89%	▲16.67%
Dow Jones Global Index	373.06	▲2.43%	▲3.34%	▲16.26%
MSCI Islamic Index	1263.44	▲2.37%	▲2.30%	▲11.04%
MSCI World Index	1964.52	▲1.38%	▲2.17%	▲15.02%
MSCI Emerging Market Index	1091.17	▲4.64%	▲7.17%	▲20.00%
Fixed Income				
LIBOR 6 Month	1.4477	▼-0.008	▲0.031	▲0.198
<i>Murabaha</i> USD 6 Month	1.4789	▲0.011	▲0.045	▲0.554
Dow Jones <i>Sukuk</i> Index	103.85	▲0.58%	▲0.80%	▼-0.64%
Bloomberg Emerging Market Bond Index	169.27	▲1.94%	▲2.72%	▲5.98%
Insurance				
Bloomberg <i>Takaful</i> Index	140.60	▲2.14%	▲6.43%	▲14.07%



* Bloomberg

Turkish Participation Banks' Profit Soars 36 percent in First Half

Participation banks achieved a profit of TL 769 million (around \$223.29 million) in the first half of this year with an increase of 36 percent compared to the same period in 2016.

According to information compiled from the non-consolidated financial statements of Albaraka Türk, Kuveyt Türk, Türkiye Finans Participation Bank, Vakıf Participation and Ziraat Participation, the total assets of participation banks increased by 7.7 percent compared to the end of last year, exceeding TL 143 billion (\$41.52 billion).

In the first half, the net profit of the sector increased by 36 percent, rising from TL 566 million to TL 769 million, compared to the same period in 2016.

Among the participation banks, Kuveyt Türk achieved the highest net profit in the first half with TL 348.6 million, followed by Türkiye Finans Participation Bank with TL 185.8 million, Albaraka Türk with TL 131.3 million, Ziraat Participation with TL 53.7 million and Vakıf Participation with TL 49.7 million. By the end of June, Kuveyt Türk was the leader of the sector with an asset size of TL 52 billion, followed by Türkiye Finans Participation Bank with TL 37.5 billion and Albaraka Türk with TL 34.2 billion.

The asset size of Ziraat Participation and Vakıf Participation stood at TL 10.9 billion and TL 8.4 billion, respectively.

Source: [Daily Sabah](#)



City Urges Government to Prioritize Islamic Finance Ahead of Possible Brexit Boom

The City's top lobby group is urging the Government to make sure any laws introduced post-Brexit do not dent demand for Islamic finance as enquiries from banks to set up Shariah-compliant services soar.

TheCityUK, which represents Britain's banks and financial institutions, has sent a 32-page report to the UK Government highlighting that assets of UK firms offering Islamic finance services surpassed \$5bn (£3.8bn) in 2016, up 11pc in two years.

Eager to safeguard the sector's growth at a time when London is fighting to retain its status as Europe's financial hub, the group is calling on the Government to "make sure legislation is in place so that corporate *Sukuk*'s [Islamic bonds] can thrive," said Wayne Evans, the group's adviser in international strategy.

Britain was the first non-Muslim country to sell a bond that can be bought by Islamic investors, drawing over £2bn in bids when it issued the sovereign *Sukuk* in 2014. At the time, former chancellor George Osborne

said promoting the industry, now worth over \$2tr, could make Britain "the undisputed centre of the global financial system."

While the UK's status as a global financial hub is at risk due to Brexit - London's lucrative euro-clearing market is under threat and the City is expected to lose as many as 40,000 sales, trading and investment banking jobs - Mr Evans said the move could encourage Islamic-compliant investment into the UK, provided new rules don't end up limiting growth.

"If we see more trade with non-EU countries, and encourage more trade with them, then obviously having expertise and a Sharia-compliant string to your bow has got to be an advantage," he said. "If the UK financial system is going to be more interested in Malaysia, say, then we have been in the past, then there will be more interest in Islamic finance."

Source: [The Telegraph](#)



Photo Credit: telegraph.co.uk

Former chancellor George Osborne said in 2014 that promoting the Islamic finance industry, which is worth more than \$2 trillion, would help make Britain "the undisputed centre of the global financial system."

China's Silk Road Strategy can Help Islamic Economy

Companies in the Islamic economy should capitalise on growth opportunities presented by China's One Belt One Road initiative, which can be used to introduce Asian markets to Islamic finance products, an expert has said.



Photo Credit: foreignpolicy.com

China's One Belt One Road initiative is a development strategy led by the country's government. It aims to revive the ancient Silk Road to connect various countries and hence, boost global trade.

Abdullah Al Awar, chief executive officer of Dubai Islamic Economy Development Centre, said that there's "great potential" to build on the UAE's existing ties with China and other countries that influence the Silk Road initiative. He added that China's economic position and its "significant impact on the global economic policy" enable it to have a greater impact on global finance.

Al Awar suggested multiple ways to boost

ties with China including creating joint coordination committees to collaborate on establishing global standards for Islamic finance products, mainly for *sukuk*.

"In addition to supporting and strengthening the efforts of the UAE-China Council in providing the required finance for the Silk Road initiative, especially in the area that covers the region, we can look at establishing a joint Islamic finance platform between both countries to be based in Dubai," Al Awar said.

He also suggested establishing an Islamic Arab-Asian bank based in Dubai to provide the liquidity required for financing projects, especially those related to this region. Another recommendation was to create a joint research centre to assess the needs of the region and countries situated on the Silk Road initiative.

Source: [Zawya](#)

Bahrain Tightens Islamic Finance Rules with Mandatory External Audit

Bahrain is tightening its rules for Islamic banks by requiring all of them to undergo independent, external audits to certify they are following the sharia.

The move, announced by the central bank could make Bahrain among the strictest jurisdictions for Islamic banking and help Manama maintain prominence in the industry, which it helped to pioneer, against competition from centers such as Dubai and Kuala Lumpur.

Islamic banks in the Gulf have traditionally used in-house boards of scholars to determine whether their products and operations obey sharia, which includes rules such as bans on interest payments and pure monetary speculation.

Some scholars argue this decentralized approach allows more flexibility and diversity, but it is not transparent and is vulnerable to conflicts of interest, since scholars are employed by the banks which they vet.

Bahrain is therefore insist-

ing Islamic banks introduce external audits, starting with reports issued in 2020 on their business in 2019. A consultation paper issued by the central bank last year proposed that external audits be annual, but the recent statement did not say how often they would occur.

The central bank said it would provide guidance later on who would be qualified to conduct external audits. Banks would not be required to make audit results available to the public.

Because of Bahrain's prominence in Islamic banking, its decision may add momentum to global pressure for more centralized regulation of the industry.

"It is expected to serve as an example for the region and the global Islamic banking market," the central bank said.

Bahrain's central bank said it would also issue new rules on sharia boards within banks, ensuring their independence and clarifying their roles and responsibilities.

Source: [Salaam Gateway](#)



Photo Credit: arabianbusiness.com

Nigeria to Offer Liquidity Support to Boost Islamic Banking

Nigeria's central bank said that it is setting up two financial instruments to provide liquidity support to its non-interest paying lenders.



Photo Credit: guardian.ng

It is a push by Nigeria, home to the largest Muslim population in sub-Saharan Africa, to establish itself as the African hub for Islamic finance, which follows religious principles such as bans on interest and gambling.

The central bank has been working to set regulatory ground rules for such things as Islamic bonds (*sukuk*) and insurance (*takaful*) to try to emulate the success of the industry in Malaysia.

Nigeria's banking industry is dominated by lenders offering conventional products.

Islamic banking is currently offered by the Islamic window of Sterling Bank, Stanbic IBTC, a unit of South Africa's Standard Bank, and Jaiz Bank, a full-fledged Islamic lender which has operated since 2012.

But Nigeria wants to increase the sector.

Nigeria is gradually opening up to Islamic finance to bring non-interest banking to over 80 million Muslims and develop one of Africa's growing consumer and corporate banking sectors.

In October the regulator granted liquidity status at its discount window for banks' investment in Islamic bonds issued by national governments, and for banks' liquidity ratios.

Among other conditions, it said non-interest lenders must have a liquidity problem to be able to access the new window -- which will offer liquidity at zero interest, although lenders will be required to post collateral.

If a lender is unable to repay the funds, the central bank will discount the collateral at maturity, the regulator said in the circular.

Nigeria launched a 100 billion naira (\$318 million) debut sovereign *sukuk* in the local market in June to help develop alternative funding sources for government and to establish a benchmark curve for corporates to follow.

Source: [Reuters](#)

Islamic Banks Constitute 11.6 percent of Oman's Total Bank Assets

Islamic banks and window operations have a combined market share of 11.6 per cent in Oman's total bank assets.

According to the latest monthly report released by the Central Bank of Oman (CBO), the combined assets of Islamic banks and window operations had touched OMR3.6 billion by the end of June 2017, constituting 11.6 per cent of total bank assets.

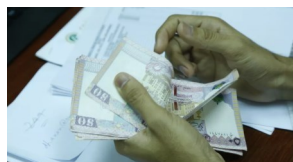


Photo Credit: timesofoman.com

Despite being a relatively young industry, Islamic banking has grown by leaps and bounds, gaining momentum on the back of continuous innovation, better products and customer service.

Such robust growth in Islamic finance shows that Sharia-compliant banks are able to establish themselves in the market and able to overcome their teething problems. Islamic financial institutions have achieved remarkable progress on various fronts within a short span of four years, thanks to the efforts made by these institutions in building a strong network of branches across the country and creating awareness

about Sharia-compliant products and services.

These achievements of Islamic institutions are despite challenges in recent years in the aftermath of a slump in oil prices and its negative effects on credit and money markets. There have been considerable increases in the number of branches and assets held by these entities. Islamic banks are opening up new segments and players and, thus, adding to the competitive environment, not only in terms of efficiencies and innovations, but by also providing consumers the benefit of choosing between both conventional and Islamic banking products.

The banking penetration level in Oman is in the region of 14 to 16 per cent, which is against an average penetration level of 20 per cent in the Gulf. This gives ample room for Omani institutions to grow, especially in interior towns. The project finance field also offers room for extending financing.

Source: [Times of Oman](#)

Interest-free Insurance in Turkey Expected to Draw Investments from Gulf



Photo Credit: mynet.com

Şimşek informed that in addition to serving interest-sensitive citizens, the system will also attract capital from the Gulf countries to Turkey, increasing direct capital inflows.

Turkey's Deputy Prime Minister in charge of the economy Mehmet Şimşek announced that they have established the infrastructure of the interest-free insurance system, indicating that the respective regulation has been forwarded to the Prime Ministry and the new system will be put into action very soon. Şimşek told Anadolu Agency (AA) that Islamic insurance, based on common risk sharing and solidarity principles and known as "*takaful*" around the world, offers an alternative model for citizens who avoid traditional insurance methods because of sensitivities about paying interest and adhering to Islamic principles.

Noting that legislative work regarding Islamic insurance has been completed, Şimşek noted that they have established the infrastructure of the system and will forward the related regulation to the Prime Ministry.

Pointing out that they have benefited from world-renowned Islamic insurance principles, the opinions of stakeholders and the principles of international institutions that publish standards in the field of interest-free finance, Şimşek said the new system will soon be passed on to the Ministry.

Şimşek noted that there have been no separate regulations for Islamic insurance or insurers so far, adding that the regulation is of great importance as the first regulation in the field of interest-free insurance, in accordance with Islamic principles.

Şimşek said the main purpose of the regulation is to oversee the Islamic principle-based procedures in terms of the functioning and development of Islamic insurance and to enforce the rights and interests of

the participants, suggesting that many questions in the framework of Islamic insurance will be answered with the said regulation.

Explaining that the U.K. model is regarded as a base point in Turkey, Şimşek said that the model is an opportunity for Turkey as well.

Şimşek pointed out that one of the most important opportunities that the system brings to citizens is the balance return.

Highlighting that the participants will be required to pay a premium to the Risk Fund set up to ensure that their compensation claims and those of other participants are filed and met, Deputy Prime Minister Şimşek said that unlike the traditional insurance system, the amount remaining in the Risk Fund will be returned to the insurer after payment of the indemnities. Under the existing traditional insurance system, such a balance is allocated to the income of the company, whereas under Islamic finance principles, this balance would have to be reimbursed to the insurers. "Even in countries where very different cultures and origins coexist, such as Malaysia and Singapore, due to the opportunity of balance return, not only interest-sensitive individuals but all types of customers are becoming more interested in Islamic insurance," Şimşek said. "Therefore, we believe that public interest in this system will be high in Turkey."

Şimşek stressed that the companies offering Islamic insurance products should establish advisory committees that monitor the compliance of these products with Islamic finance principles, stating that the principles regarding the activities and duties of the said committee are also determined in the regulation.

Source: [Daily Sabah](#)

Saudi Arabia Sells \$3.5bln of *Sukuk*, Offer 295 percent Subscribed



Photo Credit: worldfinance.com

Saudi Arabia's finance ministry said on Tuesday it had sold 13 billion riyals (\$3.5 billion) of local currency Islamic bonds in its latest monthly offer of *sukuk*, with the offer 295 percent subscribed.

It sold 2.1 billion riyals of five-year *sukuk*, 7.7 billion riyals of seven-year and 3.2 billion riyals of 10-year.

Source: [Zawya](#)

Upcoming Events (Sept— Nov 2017)

2nd Global Ethical Finance Forum 2017	Edinburgh, United Kingdom	13-18 Aug 2017	Event Details
9th Foundation of Islamic Finance Conference (FIFC 2017)	Bailrigg, United Kingdom	25-26 Sept 2017	Event Details
Morocco: Islamic Finance Gateway to Africa and Europe	Casablanca, Morocco	28-29 Sep 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

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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