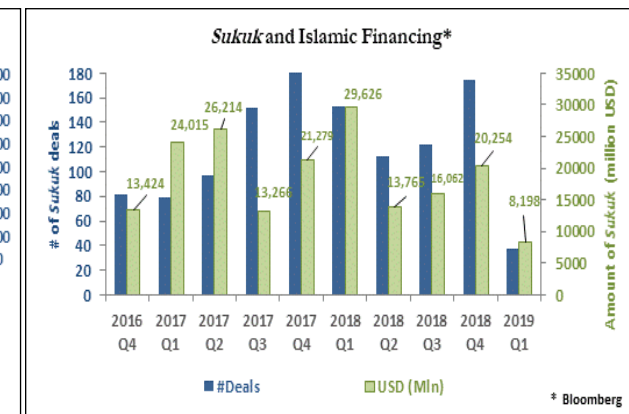
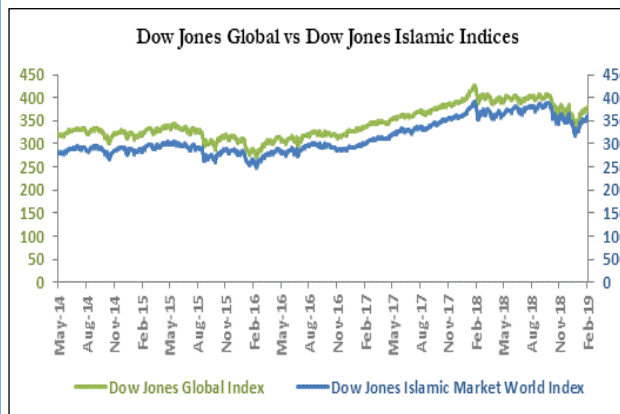
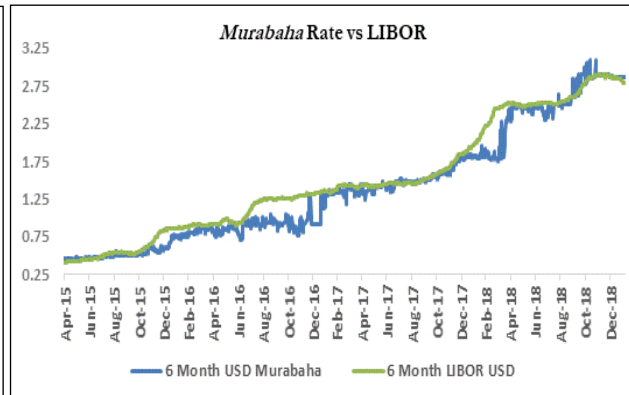
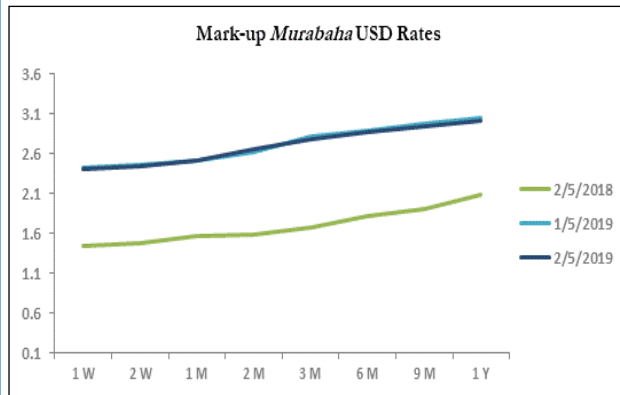


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	Value	MoM	QoQ	YoY
	2/5/19	1/5/19	11/5/18	2/5/18
Equity				
Dow Jones Islamic Index	3630.64	▲8.62%	▲1.56%	▼-0.05%
Dow Jones Global Index	381.80	▲7.83%	▲1.06%	▼-4.36%
MSCI Islamic Index	1279.32	▲6.23%	▼-0.75%	▼-3.36%
MSCI World Index	2037.76	▲7.02%	▼-0.14%	▼-3.13%
MSCI Emerging Market Index	1048.05	▲8.61%	▲5.61%	▼-13.34%
Fixed Income				
LIBOR 6 Month	2.7900	▼-0.066	▼-0.046	▲0.789
Murabaha USD 6 Month	2.8646	▼-0.029	▲0.036	▲1.051
Dow Jones Sukuk Index	100.16	▲0.92%	▲1.92%	▼-1.36%



* Bloomberg

Islamic Trade Finance gets Crucial Industry Standard

The Bankers Association for Finance and Trade (Baft) and International Islamic Financial Market (IIFM) have released a global industry standard document for buying and selling Islamic trade-related risk.



Photo Credit: businesstoday.co.om

The jointly-created master participation agreement (MPA) is intended to support the growth of Islamic trade finance business.

The trade finance industry already has an MPA for conventional trade finance distribution, introduced by Baft 10 years ago, and revised last year. The advantage of such a framework documentation is that it reduces the need to carry out much of the expensive and onerous groundwork in ensuring an agreement meets capital rules requirements and other regulatory compliance. According to Baft, the standard has been critical in supporting global trade growth, enabling banks with strong distribution networks to generate additional financing for clients.

Having worked together since March, Baft and IIFM are now seeking to repeat the success in the Islamic trade finance space, having seen a great need for standardisation in Islamic trade finance. IIFM is a standard-setting body in the Islamic financial services industry.

As such, the MPA for Islamic trade finance is different from Baft's MPA for conventional trade finance in a number of ways. For example, it includes two separate standards covering unfunded and funded arrangements, and there is also a difference in the way fees are shared by the grantor with the participants.

The standard has been created in consultation with financial institutions and other market participants in various jurisdictions and has been approved by IIFM's sharia board of 12 scholars from across the regions.

The moves could bring a crucial boost to the Islamic trade finance market, with Fitch Ratings having previously labelled the lack of standardisation as one of the greatest obstacles standing in the way of the growth of the sector. Currently, different jurisdictions interpret sharia differently and there is variation in how Islamic finance products are structured.

IIFM will now look to develop standards for Islamic trade finance-related products, particularly post-shipment financing, with the aim of creating wider acceptance of such products in the market.

Source: [Global Trade Review](#)

Qatar Plans to Set Up Three Global Financial Centers



Photo Credit: thepeninsulaqatar.com

Qatar is working on an ambitious initiative with Malaysia and Turkey to serve the \$2 trillion global Islamic finance market by establishing hubs in the three countries using common platforms and technology.

"We have a vision to cover the entire globe's Islamic financial transactions between three financial centers: Doha, Istanbul and Malaysia," said Yousef Mohamed Al Jaida, CEO of the Qatar Financial Centre (QFC) Authority in a group interview on the sidelines of the recently-concluded annual Doha Forum.

"This requires international platforms and technology which we believe Qatar Financial Centre has", Nikkei Asian Review quoted Al

Jaida as saying in its report.

Under the proposed plan, Qatar would serve the greater Middle East, Turkey would cover Islamic finance needs in Europe and Malaysia would sell to Asia.

"That's a big vision, we're working on it and this is a new project," Al Jaida said. Relations between Qatar, Turkey and Malaysia had "intensified recently and become a lot closer," he added. "We share similar visions, we share similar progressive outlooks... so there's a lot to be achieved between these three countries." He did not give time scales for the project.

Source: [The Peninsula](#)

CBK Working on ‘Draft Law’ to Appoint Independent Shari’a Supervisory Board

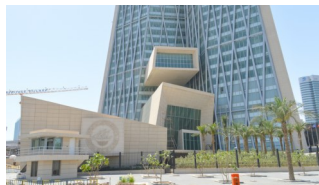


Photo Credit: centralbanking.com

The Central Bank of Kuwait is currently working on a draft law which will allow it to appoint an independent Shari’a Supervisory Board, pointing out that if the law is passed, the Central Bank’s supervisory decisions on the Islamic banking sector will be subject to this committee to ensure compliance. The sources pointed out that the Central Bank has gone a long way in preparing its vision for the draft law, without setting a specific date for submitting the draft law to the Council of Ministers in preparation for submission it to the National Assembly, but pointed to progress in this regard.

“If the law is amended, all transactions related to Shari’a will be subject to the fatwa ruling because what is issued by the

authority is considered to be legitimate. The rules of fatwa and mufti must be followed, and the authority will be concerned with ensuring the proper implementation of the standards and the rules issued by them and the extent to which they are bound by those provisions in all its activities,” say sources.

The sources pointed out that the establishment of the Central Bank is a legitimate supervisory body that helps in achieving greater transparency and regulatory credibility, especially since this role is to be assigned to a body that includes a number of jurists specialized in financial transactions which are independent and impartial and whose views are binding and enforceable.

Source: [Arab Times](#)

Islamic Banking Software a Rapidly Growing Market

The global market for core Islamic banking software solutions for banks – notably, not including products from fintech startups – is a rapidly growing segment seen increasing by around 13% annually from now until 2021 to around \$700mn, according to latest industry reports. This is pretty much in line with expected growth in the Islamic finance industry.

Islamic banking software refers to banking software that functions according to Shariah norms for managing and monitoring banking operations and therefore has to have distinctive features that conventional banking software does not provide. Islamic banks, working with Shariah scholars, in the past have created a set of requirements of specifications for such software to meet the financial needs of their customer base while insuring adherence to the principles of Shariah. At first, such specialized banking software was developed by banks themselves in co-operation with local IT vendors, but over time, globally operating software providers entered the business and started creating scalable Islamic banking solutions at a larger range.

As the key standards of Islamic banking software are that it needs to adhere to Islamic finance principles, providers and vendors therefore have to take into account the following issues: Inconsistencies in allowable products between countries and regions; interpretation of Islamic laws relating to banking; demand for new product capabilities as banks define new Shariah-compliant services; Islamic banking contract documentation; compliance with the standards of the Accounting and Auditing Organization for Islamic Financial Institutions, or AAOIFI; as well as non-Shariah issues such as inconsistencies in the Arabic language and different languages among Muslim-populated countries, as well as requirements in some countries to support the lunar Islamic calendar.

Other specific solutions for Islamic banking software span over retail banking and corporate banking, capital markets, brokerage, investment banking, treasury, sukuk issuance, fund management, wealth management, as well as customer relationship management, client analytics, human resources and payment applications, transaction safety and security, risk mitigation and money laundering and fraud prevention.

Source: [Gulf Times](#)



Photo Credit: bolc.co.uk

Boeing Capital Could Consider Islamic Finance Partnership

Boeing is considering offering Islamic finance tools as a way for its Middle East and Africa customers to fund aircraft purchases and diversify their financing sources.



Photo Credit: thenational.ae

Boeing Capital, the financing arm of the world's biggest planemaker, could partner with a bank or financial institution in the region to create a shariah-compliant aircraft financing product, Vasgen Edwards, managing director for Middle East Africa customer finance, said.

"It will be Islamic content and it will support aircraft financing," Mr Edwards said. "It's very early stages."

The plans follow the setup of the Alif Fund in 2014, a shariah-compliant aircraft leasing fund backed by Boeing's European rival Airbus and managed by the International Airfinance Corporation (IAFC) in Dubai. Regional airlines such as Emirates, Etihad Airways and Flydubai have issued Islamic bonds to finance the growth of their fleet.

Boeing Capital's potential Islamic finance partnership may be based in the UAE or Saudi Arabia, where there is a big market, but other locations in the wider Mena region are also an option, Mr Edwards.

The Shariah-compliant facility would work well for customers in the Middle East and

Africa where there are large Muslim populations, he said.

"Islamic financing is very important in this region, so we should be working towards what the region has appetite for," Mr Edwards said.

Boeing expects stable and diversified growth in aircraft financing in 2019 as new investors enter the market to fund new jet deliveries, according to its annual Current Aircraft Finance Market Outlook.

The US planemaker forecasts about \$143 billion (Dh525.16bn) in new commercial aircraft deliveries by major plane manufacturers this year, up from \$126bn in 2018, with a potential to grow to more than \$181bn by 2023, Boeing said in its 2019 report. Funding for deliveries is expected to be balanced between bank debt, capital markets and cash.

Mr Edwards said it was "a bit premature" to tell when the Islamic financing tool would be rolled out and that the right conditions need to be in place first including having the "right price point" on the product.

"If there's appetite for an Islamic solution, we'll definitely be interested in providing something to our customers," he said.

Source: [The National](#)

IsDB, EIB to Co-finance More Projects in Africa, Southern Mediterranean Countries

The Islamic Development Bank (IsDB) and the European Investment Bank have discussed at meetings held in Luxembourg this week opportunities for co-financing new projects in Africa and Southern Mediterranean Countries.

During the talks, EIB and IsDB teams discussed ongoing projects and potential windows of cooperation to boost the impact of both institutions finance and technical assistance programs.

EIB President Werner Hoyer said after a meeting he had with President Hajjar "very fruitful discussions on how to scale-up our partnership and increase co-financing in a number of areas, starting with improving the lives of the most vulnerable, in sectors like infrastructure, innovation, support for small enterprises and sup-

port to refugees."

President of the Islamic Development Bank, Bandar Hajjar, addressing EIB delegates on his part said: "The close relationship between the IsDB and EIB will bring significant contributions to the development of the Islamic finance industry as well as the private sector in communities we have committed to serve."

EIB and IsDB have been working together to provide needed finance and advisory services for sustainable development. Since 2005, the EIB and the IsDB have co-financed nine projects with a total investment of €1 billion in Lebanon, Morocco, Tunisia and Sub-Saharan Africa.

Source: [The North Africa Post](#)



Photo Credit: northafricapost.com

Fitch Ratings: Sukuk Issuance Volumes Normalize From 2017

Sukuk issuance in the ten largest markets fell last year following record issuance in 2017, Fitch Ratings says. We do not believe this reflects long-term trends, but it shows how issuance volumes can be influenced by the activity of individual borrowers, notably oil-exporting sovereigns.

Sukuk issuance with a maturity of more than 18 months from the Gulf Cooperation Council (GCC) region, Malaysia, Indonesia, Turkey and Pakistan totaled USD39.8 billion in 2018 - a decline of nearly one-third from the previous year, but in line with the 2012-2016 average.

Last year's 30% decline in conventional bond issuance suggests that lower sukuk issuance was principally a function of higher oil prices in 9M18, which reduced im-

mediate borrowing needs among some sovereigns and improved liquidity in their banking systems. US monetary tightening has also raised borrowing costs. Sukuk's share of total issuance was broadly unchanged at 27%.

Debt capital markets in the GCC are relatively immature, and individual sovereign funding decisions can profoundly affect total supply. Most notably, last year, Saudi Arabia raised USD2 billion in new sukuk, having raised USD9 billion in its first international deal in 2017 (the largest ever sukuk). Idiosyncratic factors, such as the embargo of Qatar or Turkey's currency crisis, can affect regional and international investor appetite for some credits, although both were active in their local currency debt markets in 2018.

Source: [Salaam Gateway](#)



Photo Credit: comccc.org

Pakistan to Launch \$1.44bln Islamic Sukuk to Ease Power Sector Debt

Pakistan has approved the launch of a 200 billion rupee (\$1.44 billion) Islamic Sukuk to help pay off arrears building up in its troubled power sector, state-run Radio Pakistan said on its website on Tuesday.

The approval came from the Economic Coordination Committee, chaired by Finance Minister Asad Umar.

"The bond will be issued through the consortium of Islamic banks," Radio Pakistan said.

The government has been falling behind on payments to electricity providers and distribution companies, accumulating ar-

rears that were threatening to seriously disrupt electricity generation in a nation still grappling with shortages.

Power minister Omar Ayub Khan told Reuters the government planned to use the money to "alleviate cash flow issues" suffered by power plants, or independent power producers (IPPs), which generate a large share of electricity.

The Sukuk cash will also be used to "replace more expensive debt" from the past, which would save money, Khan added.

Source: [Zawya](#)



Photo Credit: financalexpress.com

IILM Reissues \$500 million Sukuk

The International Islamic Liquidity Management Corporation (IILM) has successfully conducted its first auction for 2019 of a total USD 500 million short-term Sukūk in two different series of one-month tenor and two-month tenor.

The A-1 rated IILM Sukuk by Standard & Poor's Rating Services were reissued a \$200 million with a one-month tenor at 2.75 per cent profit rate; and a \$300 million with two-month tenor at 2.83 per cent profit rate.

This is the first issuance of 1-month tenor since the IILM commenced its issuances in

August 2013.

According to IILM, purchases by Islamic Primary Dealers (PDs) in the primary auction amounted to 100 per cent and 52 per cent for two Sukuk issuances respectively. In terms of geographical distribution, Asia-based PDs were allocated 35 per cent of both the one-month and two-month Sukuk whereas GCC-based PDs were allocated 65 per cent and 55 per cent of the one-month and two-month Sukuk respectively. 10 per cent of the two-month Sukuk were allocated to others.

Source: [Islamic Business & Finance](#)



Photo Credit: sukuk.com

Upcoming Events (Feb — Apr 2019)

12th International Conference for Islamic Economics and Finance 2019	Makkah, Saudi Arabia	10-11 Feb 2019	Event Details
Bonds, Loans & Sukuk Africa 2019	Cape Town, South Africa	13-14 Mar 2019	Event Details
1st Tunisia International Conference on Islamic Economics and Finance (TICIEF 2019)	Hammamet, Tunisia	12-14 Apr 2019	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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