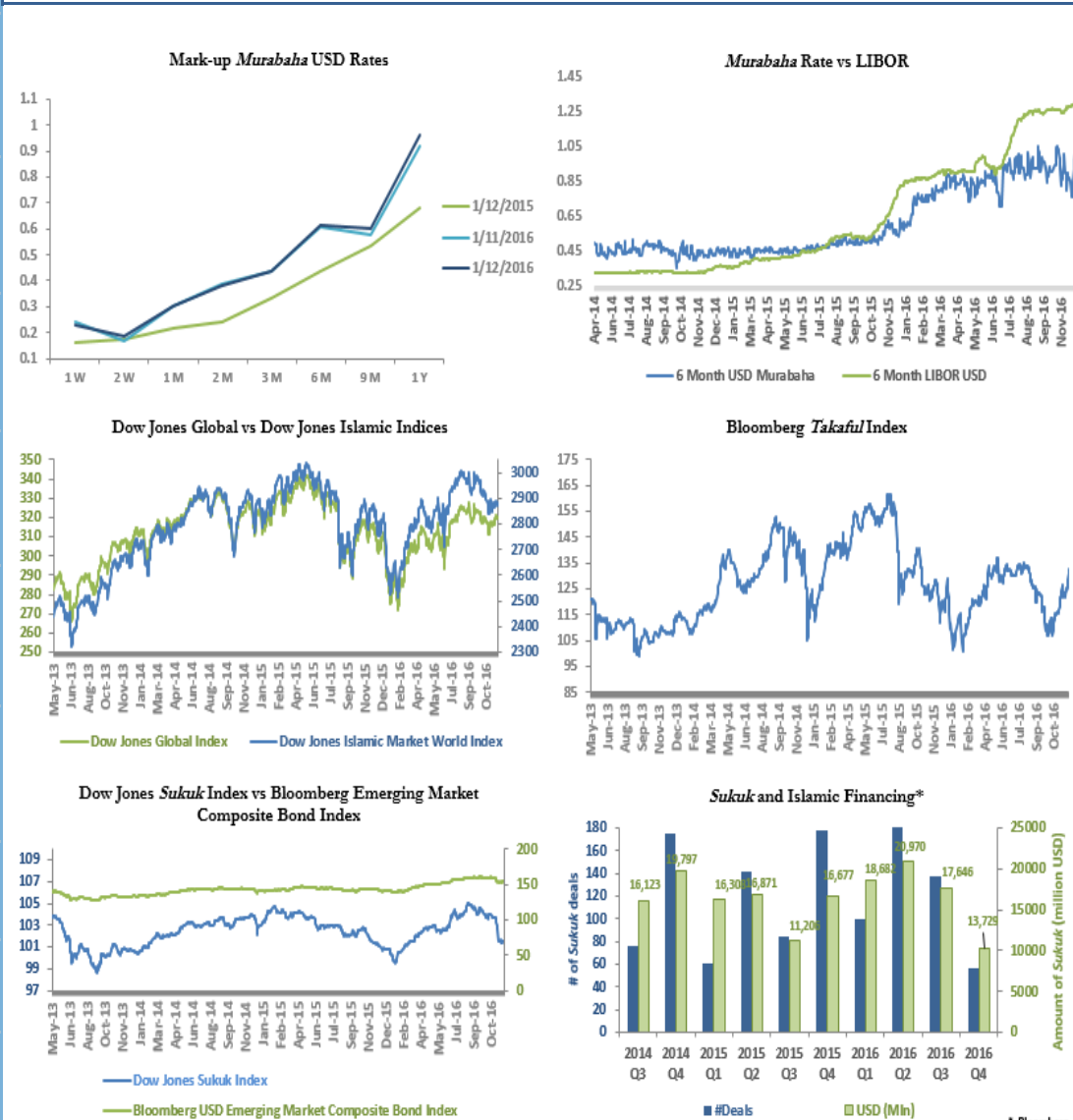


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	Value	MoM	QoQ	YoY
	1/12/16	1/11/16	1/9/16	1/12/15
Equity				
Dow Jones Islamic Index	2627.57	▲0.53%	▼-0.04%	▼-7.12%
Dow Jones Global Index	288.13	▲0.12%	▼-0.37%	▼-8.68%
MSCI Islamic Index	1008.48	▲0.24%	▼-0.47%	▼-11.22%
MSCI World Index	1561.68	▲0.26%	▲0.01%	▼-6.86%
MSCI Emerging Market Index	723.21	▼-0.02%	▼-2.28%	▼-24.31%
Fixed Income				
LIBOR 6 Month	0.8548	▲0.004	▲0.004	▲0.496
<i>Murabaha</i> USD 6 Month	0.6157	▲0.008	▲0.007	▲0.180
Dow Jones <i>Sukuk</i> Index	100.16	▼-0.08%	▼-0.13%	▼-3.39%
Bloomberg Emerging Market Bond Index	139.86	▼-0.22%	▼-0.39%	▼-0.41%
Insurance				
Bloomberg <i>Takaful</i> Index	111.07	▲1.15%	▼-3.97%	▼-6.62%



* Bloomberg

The World Bank and Arab Monetary Fund (AMF) jointly organized a workshop on “Regulation and Supervision of Islamic Banks”

The World Bank and Arab Monetary Fund (AMF) jointly organized a workshop on “Regulation and Supervision of Islamic Banks” on November 20-23, 2016 in Abu Dhabi, United Arab Emirates. The workshop brought together more than 30 practitioners, decision makers and experts from 17 Arab countries which was the fourth in a series of training activities on Islamic finance agreed under the MOU between the Bank and the AMF.

Islamic banks were able to achieve success at regional and global levels by increasing their numbers and widening their geographical spread, which has made Islamic banking widespread in more than 60 countries. The industry also witnessed a growth between 15-20% per annum in the current decade. The assets of Islamic banks rose to about \$2 trillion at the end of 2015. This rapid growth of Islamic finance makes it necessary to have in place a strong legal and regulatory framework and makes it imperative for regulatory authorities to develop rules and regulations.

Given the importance of the topic, some of the issues discussed in the workshop were the principles and models of regulation and supervision of Islamic banks, the legal foundations of regulation, risk types in Islamic banks, the supervisory process of Islamic banks, corporate and *Shariah* gov-

ernance, consumer and investor protection, accounting standards of Islamic banks, implementing Basel III in Islamic banks, financial safety net, enforcement of regulations, financial soundness indicators, stress-testing, resolution of distressed Islamic banks, challenges and capacity building for regulators and supervisors.



The workshop brought together more than 30 participants from 17 Arab countries.

Islamic Finance in the Spotlight at OIC's COMCEC in Istanbul

Business and political leaders from around the Islamic world came together in Istanbul to discuss and address the economic challenges their countries face.

The Standing Committee for Commercial and Economic Cooperation (COMCEC) of the Organization of Islamic Cooperation (OIC), a major economic body for Islamic countries, conducted its 32nd meeting in Istanbul on Nov. 21-24.

The meeting's ministerial session will start on Wednesday, and Turkish President Recep Tayyip Erdogan addressed the opening of the ministerial session.

Ministers from 57 OIC member countries discussed how to develop Islamic finance in the member countries.

Additionally, given the importance of Islamic finance, a number of high-level panels were held on the side-

lines of the meeting subjects such as the essentials of Islamic finance and using Islamic finance in financing infrastructure, with the participation of high-level representatives from member countries and OIC institutions as well as other international organizations, NGOs, think-tanks, private sector organizations, and academia.



Islamic Finance Sets Sights on Centralized *Sharia* Boards

A global body for Islamic finance is developing a standard for centralized *sharia* boards to provide guidance for strengthening corporate governance and increasing the consumer appeal of *sharia*-compliant financial products.

The move is the clearest indication yet that the industry is shifting away from self-regulation, an approach which proved flexible in its early years but which is now regarded as an obstacle to further growth.

A standard on centralized *sharia* boards was one of the main themes covered at the annual conference of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), held in Manama.

AAOIFI is conducting a preliminary study drawing on the experience of countries that have already implemented centralized *sharia*

boards, the Bahrain-based body said in a statement ahead of the event.

The centralized model is increasingly being adopted across the industry, with Oman and Bahrain having established national *sharia* boards in the past year. The United Arab Emirates and newcomer Kenya have also proposed setting up similar bodies.

Malaysia, Indonesia and Pakistan have centralized *sharia* boards, but the way in which they operate can vary.

The new standard aims to help define those roles and responsibilities, addressing issues such as optimal board composition, fit and proper criteria of scholars, as well as enforceability of rulings.

Source: [Reuters](#)



Photo Credit: englishalarabiya.com

Islamic Finance Body Approves Standard for Gold-Based Products

The Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) said it had approved a *sharia* standard for gold-based products, a move aimed at expanding the use of bullion in Islamic finance.

Traditionally, gold has been treated as a currency in Islamic finance which has confined its use to spot transactions, but fresh guidance from AAOIFI is expected to spawn a wave of product development in the industry.

AAOIFI approved the final version of the standard on gold and its trading controls during a meeting of its *sharia* board, the industry body said in a statement seen by Reuters.

This followed a year-long effort that included public hearings held in Oman, Sudan and Malaysia over the past few months, as well as a series of meetings of a dedicated AAOIFI subcommittee.

The new standard addresses issues including

collateral, set-off, screening and the exchange of gold in spot and deferred transactions. *Sharia* compliant products backed by gold could include exchange traded funds and savings accounts.

In a sign of market interest, the final standard will be made available on a complimentary basis by both AAOIFI and the World Gold Council, an industry body which supported the development of the standard.

Proponents hope the new guidance will help address muted consumer appetite for gold in the Middle East region, where demand has actually fallen in recent years.

AAOIFI also approved a standard on liability of investment managers, which addresses issues including negligence and breach of contracts.

The standard also details liability on the part of service agents in transactions including Islamic bonds (*sukuk*) and in syndicated financing contracts and other products.

Source: [Reuters](#)



Photo Credit: cash4gold.in

Ethiopia Looks to Islamic Finance to Tap Domestic Savings

Ethiopia's central bank aims to develop Islamic finance to help expand financial access and inclusion, part of wider government efforts to mobilize domestic resources to diversify its economy.

The government wants to industrialize its economy but this requires sustaining investment rates of almost 40 percent of GDP over the next five years, said Getahun Nana, Vice Governor of the National Bank of Ethiopia.

"This can only be achieved if the financial sector, particularly the banking industry, can play significant role in mobilizing desperately needed savings from domestic sources."

Islamic finance could help in this endeavor, so the

central bank is conducting a study to determine the demand for *sharia* compliant financial products in a country where around a third of the population of 100 million is Muslim. The study would help determine what proportion of Muslims are excluded from the financial sector.

Islamic finance is still new in Ethiopia, despite the government allowing financial institutions to offer such products back in 2008.

Currently eight out of 18 financial institutions offer *sharia* compliant products via Islamic windows but they have so far mobilized less than 1 percent of total deposits, Nana said.

Source: [Reuters Africa](#)



Islamic Fintech can Take Brunei to New Heights

Islamic Fintech (financial technology) is an area through which Brunei can find fresh avenues for international collaboration and investment.

This was highlighted by Dato Paduka Awang Haji Abdul Mokti bin Haji Mohd Daud, the Deputy Minister of Religious Affairs, while delivering a keynote speech at a seminar on 'Exploring Islamic Fintech'.

"Islamic Fintech is a good example of where we can find avenues for international collaboration and investment that will enhance and strengthen our niche," he said.

"It promotes the importance of aqad or mutual agreement which is clearly understood by users in order to validate the process.

"Most importantly, it provides security, transparency, a Syariah-compliant system and adopts the principle of the Syariah higher objectivity that is the preservation of wealth," he continued.

"This can, in turn, create and generate capital, spinoffs in the local market employment opportunities and, ultimately, diversify and boost the Brunei economy.

"We are delighted by the favourable reception from various industrial players from the Republic of Korea in exploring these areas and encourage close cooperation and engagement."

Reflecting on the topic of the seminar, he noted that it marries together two unique concepts – financial technology or 'Fintech' and Islamic values.

"The merging of the two into a single field of Islamic Fintech is symbolic of where our aspirations for Brunei Darussalam lie, that is to hold fast to and enrich our lives with Islamic values while also being unafraid of taking strides forward in an ever-advancing global society."

Source: [Borneo Bulletin](#)



Photo Credit: mbnconslilium.com

Growth of Malaysian Islamic Finance to Continue

Malaysia's Islamic financing has maintained its double-digit growth in spite of the country's moderating economy, with a 12.1% annual growth in the first half of 2016 (1H16) as at end-June, according to Fitch Ratings.

Although the growth was lower compared to the 16.2% rise recorded in 1H15, it still pushed Islamic loan share to 27.9% in the Malaysian banking system loan sector, versus 27% a year ago, as the sector's expansion outperformed that of conventional banks over the past five years, it said in a note to clients yesterday.

Sukuk issuance also exceeded conventional bonds, with total market capitalisation rising to 62.2% by end-June 2016, from 61.6% in the previous corresponding period.

Islamic banks' impaired loan ratio nudged slightly to 1.34% in June this year from 1.2% in 2015, though still lower than conventional banks.

Interestingly, investment accounts expanded to RM36.2 billion by June this year from RM4.3 billion in July 2015, while Islamic deposits remained flat.

Malaysia still leads the global Islamic finance industry in terms of regulation, standardisation and *sukuk* issuance, accounting for over half of the issuances worldwide in 1H16.

Source: [The Edge Markets](#)



Photo Credit: alamy.com

State Bank of Pakistan Cuts SLR to 14 Percent for Islamic Banks

The State Bank of Pakistan cut the statutory liquidity requirement (SLR) for Islamic banks by five percent to 14 percent with an aim to fix liquidity problems of the *Shariah*-complaint lenders.



Photo Credit: mobilemoney.com

“Effective from November 17, 2016, all Islamic banks/Islamic banking branches will maintain SLR of 14 percent (excluding cash reserve requirement) of total demand liabilities, including time deposits with tenor of less than one year,” the State Bank of Pakistan (SBP) said.

“Time liabilities, including time deposits with tenor of one year and above will not require any SLR.” Presently, the SLR for the Islamic banks is 19 percent.

The SBP helps Islamic banks to maintain SLR ratio through purchase and sale of government

of Pakistan’s *Ijara Sukuk* (GIS) either on deferred payment basis (*Bai-Muajjal*) or on ready payment basis through open market operations based on competitive bidding.

Islamic banking industry was flustered by the reduction in *Shariah*-complaint SLR eligible assets due to lack of issuance of new *sukuk*. Bankers hailed the central bank’s decision to manage the liquidity issue of the Islamic banking institutions.

“This move would give a breathing space to Islamic banking industry as the remaining SLR eligible instruments would be sufficient to meet the liquidity requirement,” said a senior banker. “However, it’s a temporary relief; the government needs to issue a fresh *sukuk* where the banks could invest their surplus funds.”

Source: [The News](#)

Sukuk issuance to Drive Growth in Islamic Finance

Much of the growth in Islamic finance is expected to come from capital markets business relating to *sukuk* (Islamic bond) according to Standard Chartered Saadiq.

“*Sukuk* is now mainstream component of capital markets in core Islamic finance markets such as Malaysia and the UAE. While Malaysia dominates the local currency issuance, the GCC leads in international *sukuk* issuance. There is a healthy pipeline of issuance across the world while we expect more issuers to come to the market over the next year,” said Ahsan Ali, Global Head of Islamic Origination.

Growing financing needs of sovereigns, sovereign related entities, corporates and financial institutions are expected to increase demand for capital market issuance across GCC in the future. Although a significant share of capital market issuance in the recent past have been dominated by conventional bond issuance and loan syndica-

tions, Ali expects GCC issuers to issue *sukuks* along with conventional bonds.

“Bulk of the further capital market issuances will be primarily driven by sovereigns and financial institutions. While sovereigns in the oil exporting countries will be seeking market funding for budget needs, the demand from financial institutions will be driven largely by liquidity and liquidity management needs,” said Ali.

Global *sukuk* issuance has been moderating since 2015 is expected to remain subdued this year and in 2017 according to rating agencies Moody’s and Standard & Poor’s.

The *sukuk* market experienced a correction in 2015 when Bank Negara Malaysia (the Malaysian central bank) decided to stop issuing short-term *sukuk* and switch to other instruments for liquidity management for Islamic financial institutions.

Source: [Zawya](#)

Jordan looks to *sukuk* to bolster financial toolkit

Building on recent growth in Islamic finance, Jordan is expanding its funding options and tapping a rising market through the issuance of *sukuk* (Islamic bonds).

This year the Central Bank of Jordan (CBJ) issued two rounds of *sharia*-compliant sovereign bonds for the first time in the country’s history.

The first offering, released in May, used a *murabaha* (cost-plus financing) structure and was valued at JD75m (\$105.7m). The sale successfully attracted JD205m (\$289m) in bids from investors at a coverage ratio of 2.73. Mean-

while, the second *sukuk*, issued in mid-October, used an *ijara* (leasing) structure and was valued at JD34m (\$47.9m). The latter sale was more than three times oversubscribed.

The sales were accompanied by a move in September, when the government signed an agreement with the International Islamic Trade Finance Corporation to finance basic imports with *sharia*-compliant funds.

The recent *sukuk* offerings are part of a broadening of Jordan’s Islamic financial services industry in the past couple of years.

Source: [Oxford Business Group](#)

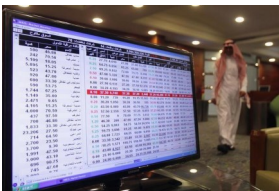


Photo Credit: zawya.com



Photo Credit: muslimvillage.com

Upcoming Events (Dec-Jan 2017)

23rd Annual World Islamic Banking Conference	Kingdom of Bahrain, Amwaj Islanda	5 - 7 Dec 2016	Event Details
CMA-World Bank International Conference: 'Sukuk Markets, Challenges & Opportunities'	Saudi Arabia, Riyadh	6 Dec 2016	Event Details
2nd Annual World Bank – IDB – Guidance Symposium on Islamic Economics and Finance	Morocco, Rabat	8-9 Dec 2016	Event Details
World Halal Summit	Turkey, Istanbul	15-17 Dec 2016	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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