

IslamicFinance.de

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Michael Gassner
Consultancy

Editorial

Dear Readers,

As salamu alaikum

Four law firms announced to intensify their mideast business in just one month. This is a strong deal indicator!

The Dubai International Financial Centre takes off. Check the related news and how often it is referred, too.

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Best regards wa salaams,

*Michael Saleh Gassner
Cologne - Germany*

Islamic Finance in Minority Areas

Tower Group on Islamic Finance in Europe
HSBC Amanah, UK offers Takaful
Frankfurt Conference achieved over 100 delegates

Islamic Banking

Law firms rushing to the Middle East
BMA and Tokyo Commodity Exchange signed MoU
Trends in retail banking
HSBC Middle East moves to DIFC
HSBC and SABB forms new HSBC Saudi Arabia Limited
Bahrain Development Bank increased capital 5 times
Microfinance in the Middle East
Dubai Islamic Bank Pakistan Limited licensed
Emirates Global Islamic Bank appointed CEO
Bank Islam recapitalisation
KFH Malaysia looks into Labuan
CIMB opens office in Brunei
Maybank Malaysia offers Islamic deposit account in Singapore

Fixed Income (Sukuk, Murabaha)

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Islamic tranche for Suabaia Water and Electricity Company
USD 300 mn Murabaha facility for Al Rajhi
USD 500 mn Ijarah facility - ENOC mandated Dubai Islamic Bank
Sukuk Al Ijarah full subscribed at 4.58 %
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RM 120 mn Unisem Bay Inah facility
Brunei shall plan a short term Sukuk Al Ijarah
RM 400 mn SACOFA
Standard Chartered Murabaha Programme
RM 742 mn Boustead
Malaysian Sukuk delayed to December
RM 2.2 bn Murabaha MTN Putrajaya
Rm 150 mn Hubline Bhd appointed Affin Bank
Ratings reaffirmed for New Pantai Expressway

Funds, Real Estate, Equity

Dow Jones Islamic sustainability Index
Listing Albaraka Banking Group
Musharaka financing for Royal University for Women
USD 205 mn VC Fund launched
Shamil FX Modaraba
USD 50 mn Al Islami Equity Fund by Dubai Islamic Bank
Guidelines for Islamic Reits in Malaysia
Dow Jones RHB Islamic Malaysia Index Fund about RM 500 mn

Takaful

Saudi Market
New takaful licenses in Malaysia
Takaful Re inauguration

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Tower Group**Dear Reader,**

Lucia Dore wrote in Khaleej Times on 4th November about the recent research report of the consulting firm Tower Group covering the European Islamic finance opportunities and considers the Muslims in Europe and US to be "dramatically" underserved, while in the same group growing at faster rate than the general population of those regions. Catering for Muslims could contribute to differentiation and organic growth for financial institutions (related link: <http://www.towergroup.com>).

HSBC Amanah

HSBC Amanah's UK head Amjid Ali, said that 250,000 homeowners of the 1.6 mn Muslim population in UK had no proper access to takaful coverage. The new HSBC product is the first to be available nationwide.

Euro Finance Week

The German Euro Finance Week with its platinum sponsor Dubai International Financial Centre, was well visited as every year, and the Islamic Banking Conference during it, gathered more than 100 delegates to learn and hear about Islamic Finance. The high interest is encouraging that the awareness goes further. The event is scheduled to be repeated in 2006!

Wealth Management**Geneva****28/29 March 2006****2nd Islamic Wealth Management Event****Seminar & Exhibition*****Save the date: 28/29 March 2006*****Mandarin Oriental – Geneva – Switzerland**www.islamicwealthmanagement.com*Potential sponsors and speakers may contact gassner@islamicfinance.de***Islamic Banking****Law firms**

Law firms rushing to the Middle East business. *Dechert* announced the appointment of new partners in their London office which is doing Islamic Finance with the reknown expert Michael McMillen. (Press release 6th Nov). *Walkers* announced opening their Dubai office on 30th Nov inside the Dubai International Financial Centre (DIFC). *Linklater* released on 25th November their application for the DIFC to be opened in early 2006. On 30 November US based *Fulbright & Jaworski* announced its Mideast expansion through presence in Dubai and Riyadh in association with Al Mehairi Legal Consultants in Dubai and Kadasa Law Firm in Riyadh.

BMA and TOCOM

The Bahrain Monetary Agency and The Tokyo Commodity Exchange (TOCOM) signed a Memorandum of Understanding, reported Albawaba on 24th November. The MoU is about revising the documentations for transactions to conform with Shariah and designate the TOCOM as the BMAs approved and preferred trading house for oil exchange transactions conducted in accordance with Shariah requirements. It is worthwhile to add that this cooperation puts the TOCOM as a new competitor to the London Metal Exchange.

Retail Trends

Albawaba reported on 15th November from the 2nd Islamic Retail Banking Conference the projection based on recent studies that in coming decade non-Muslim banks might lose some 30 to 40 % of their Muslim customers to Islamic bank or those whoc conform to Islamic law regulations.

GCC**HSBC goes DIFC**

HSBC Middle East decided to move with its investment banking, its corporate, markets, *Islamic Finance division HSBC Amanah* and HSBC Private Bank to the Dubai International Financial Centre. Also the organisation aims to take family businesses IPO to the Dubai International Financial Exchange, wrote Babu Das Augustine in the Khaleej Times on 27th November.

HSBC opens**Investment Bank in Saudi-Arabia**

Arab News reported on 22nd November that HSBC and The Saudi British Bank (SABB) are to establish the first full-service, independent investment bank in the Kingdom under the new Capital Market Law, called "HSBH Saudi Arabia Limited", headquartered in Riyadh with a share capital of SR 50 mn (Euro 11.4 mn). The bank will provide corporate finance, asset management advisory services to corporations, institutions and individual investors.

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Bahrain Development Bank

Soman Baby reported in the Gulf Daily News on 30th November that the Bahrain Development Bank increased its capital from BD 10 mn to BD 50 mn from December on, to better serve the small and medium business. The Bahrain Monetary Agency also granted a new license in order to permit the opening of current accounts. The product range will comprise Islamic finance facilities.

Islamic finance enters Energy industry

According to research of MESA (Middle East Strategy Advisors), published on AMEinfo on 13rd November, Islamic finance is entering the previously by international lenders dominated GCC oil and gas infrastructure investments. An opportunity are regional high net worth individuals who demand Islamic financial solutions, and being a key sponsor for the oil and gas projects. The Dolphin transaction was worthwhile to work on a track record for regional banks and establishing Islamic finance as a mean of finance.

Microfinance

Palestine has about 91 % microenterprises and has a strong need for microfinance including commercial banks and the Islamic finance sector, wrote Adnkronos International (AKI), Italy while reporting on the Euro-Mediterranean microcredit conference in Rome. In the whole Middle East only 20 % of the population shall have access to banking services compared to 80 % in Europe, with a potential huge market of low-income poor and vulnerable people who have a livelihood. Indonesia was said to have a good experience in this fields.

SE Asia**Dubai Islamic in Pakistan**

Dubai Islamic Bank Pakistan Limited has received license by the State Bank of Pakistan, resulting in a total of 5 Islamic banks in the country (Meezan Bank, Al Baraka Islamic Bank, Bank Islami Pakistan, Emirates global Islamic Bank). Meezan Bank and Al Baraka operating with 36 branches, while conventional banks providing Islamic services in another 31 branches. Dr. Ishrat Hussain, State Bank of Pakistan, was cited that total assets represent 1.6 % of the total banking industry assets (Rs 60 bn - Euro 856 mn), reported the Daily Times on 27th November. Arif Alkooheji, executive vice president of DIB Pakistan, was cited in geo.tv with plans to register in Karachi Stock Exchange in the next 3 years and already invests USD 100 mn in the country.

**Emirates
Global
Islamic Bank**

Emirates Global Islamic Bank appoints Syed Tariq Husain as CEO of the new Islamic bank. The operations shall start in the first quarter of 2006, reported AMEinfo on 10th November. the bank was initially capitalised at USD 35 mn with the sponsor shareholder Emirates Investment Group LLC as disclosed on 8th September already on AMEinfo.

Bank Islam

Bank Islam losses shall not affect the Islamic banking industry according to Professor Bala Shanmugam of the Monash University Malaysia, to be read on Bernama on 16th November. The Star Malaysia further reported on this issue on 1st December that it takes 6 months to complete recapitalisation of Bank Islam, which includes possible a share sale to foreign strategic investors.

KFH Malaysia

Kuwait Finance House in Malaysia has further plans for expansion, and seeks to open an Islamic offshore banking arm in Labuan Island. Jamelah Jamaluddin, deputy executive of KFH in Malaysia, sees the regional potential especially in properties, infrastructure assets and power plants. She expects the license for the international offshore center Labuan for year-end. The aim is to use Malaysia as regional hub for Thailand, Singapore, The Philippines, and even China, India, Australia and New Zealand, reported Forbes on 29th November.

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**CIMB
in Brunei**

The Star Malaysia reports that CIMB Bhd opened an operation office in Brunei Darussalam. CIMB Brunei received approval for its investment advisers license on 26th October.

**Maybank
in Singapore**

Maybank Malaysia is going to offer an Islamic deposit product in Singapore with ATM access was reported on 25th November on Bernama. It is structured on the principle of Al-Wadiah Yad Dhamanah, offering a Hibah (gift) as return.

Fixed Income**Finance in
Iran**

IranMania.com reported on 23rd November on the French bank of General Development, which decided to undertake 85 % of the investments for the South Pars (SP) oil and gas field development phases 17 and 18 in Iran, which represents USD 1.8 bn if finally agreed upon.

**USD 2.8 bn
DP World
Convertible
Bond****GCC**

Simeon Kerr wrote on Dow Jones Newswire on 30th November about the USD 2.8 bn Sukuk of DP World, which is intended to be a 2-year convertible sukuk offering participation of 30 % within 3 years in a possible IPO of the port operator. Barclay's Capital and Dubai Islamic Bank are lead managers. Listings of the Sukuk are considered on the Dubai International Financial Exchange (DIFX), Luxembourg and Singapore. If the IPO does not take place a higher yield would be achieved. A listing on DIFX would follow the market maker function of Barclay's resulting in liquidity for the paper.

Shuabia

Shuabia Water and Electricity Company, Saudi-Arabia appointed Riyad Bank to act as the lead bank-cum-adviser for raising funds for their SR 9.375 bn (Euro 2.1 bn) power and desalination project, combining conventional finance and Islamic Finance, for the latter Al Rajhi Investment Bank Corporation is mentioned as provider according to Arab News, 30th October.

**USD 300 mn
Al Rajhi**

Al Rajhi Banking and Investment Corporation itself is undertaking a syndication about USD 300 mn Murabaha Financing facility. The bookrunners are Calyon and Gulf International Bank BSC. The facility is structured as a 3-year fixed rate facility with a yield of 0.30 % p.a. over the reference 3-year fixed rate and fully underwritten by the Mandated Lead Arrangers Arab Bank plc., Calyon, Gulf International Bank, Malayan Banking Berhad, Standard Chartered Bank and WestLB AG, London. Calyon was also financial advisor to Al Rajhi. Al Rajhi is rated A- by S&P and by Capital Intelligence. Baa2 by Moody's and BBB+ by Fitch. With total assets of USD 23.6 bn is the largest Islamic bank of the world.

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**USD 500 mn
ENOC**

Emirates National Oil Company (ENOC), owned by Dubai Government, mandated Dubai Islamic Bank to arrange a USD 500 mn Ijarah facility, reported AMEinfo on 30th November.

Sukuk Al Ijara

Sukuk Al Ijara Issue No. 4 is fully subscribed and priced at 4.58 %, reported BNA on 22nd November. The amount of the issue is Bd 10 mn (Euro 22.6 mn).

**Islamic Aircraft
Lease**

New aircraft lessor Low-Cost Aircraft Leasing (LCAL) ordered 6 Boeing 787; the company is partnered with Saudi-Arabia's Al-Jomaih Group and is Shariah compliant. LCAL will get its planes beginning in 2009 a year earlier than its larger conventional competitor ILFC, reported Jason Neely on 21st November on Reuters.

SE Asia**RM 120 mn
Unisem**

The RM 120 mn (Euro 27 mn) syndicated facility for Unisem (M) Bhd was oversubscribed by 67 %. The participating banks were Malayan Banking Bhd., OCBC Bank (M) Bhd, Affin Bank (Bhd), AmBank (M) Bhd and Bank Islam (M) Bhd. The facility was structured on the principle of Bay Inah, reported The Star on 25th November.

Brunei Sukuk?

Lyna Mohammad, Brudirect noted on 5th November that Brunei is planning a short term sovereign Sukuk Al Ijarah. A long term Sukuk will be considered later.

I RM 400 mn SACOFA	SACOFA Group is raising RM 400 mn (Euro 90 mn). The Islamic securities comprise of RM 160 mn in redeemable secured serial Sukuk Istisna and RM 240 mn in redeemable serial Sukuk Ijarah. The tenor for both issues is up to 9 years. CIMB and RHB Sakura Merchant Bankers Bhd are the joint lead arrangers of the issues while Newfields Advisors Sdn Bhd is the financial adviser to the issuers, reported Bernama on 15th November.
Stanchart	Stanchart expects RM 150 mn (Euro 33.8 mn) for this year and RM 300 to 400 (Euro 90 mn) for next year in regard to their commodity Murabahah Programme-I and the Commodity Murabaha Financing-I in Malaysia. The banks total portfolio has 2.6 % in Islamic assets , which is expected to grow between 7 and 8 % by 2006, the CEO Shayne Nelson was cited. Also it was noted taht by 2009 50 % of total savings of Muslims worldwide are expected to be managed under Islamic Banking, reported Bernama on 15th November.
RM 742 mn Boustead	Boustead Holdings Bhd is aiming to reduce its gearing from 1.6 to less than one by issuing RM 742 mn (Euro 167.4 mn) Islamic asset backed securities (ABS) supported by plantation assets. The ABS comprises RM 442 mn Sukuk Al Ijara and RM 300 mn Musharaka from Boustead's parent LTAT. The rates will have an average yield of 6.8 to 6.8 % and comprise 3 ,5 and 7 year tranches, reported The Star on 10th November.
Malaysian Sukuk	The Edge Daily noted on 24th November that the government has delayed the sale of its 5 year Sukuk to December, which the governor Tan Sri Dr Zeti Akhtar Aziz explained that the fianancing requirements will be as well in December.
RM 2.2 bn Putrajaya	Putrajaya Holdings are issuing RM 2.2 bn Murabahah medium-term notes (MTN), wrote Anna Maria Samsuddin on 29th November in Business Times. Putrajaya Holdings received a rating of AAA by MARC. Alliance Merchant Bank Bhd, CIMB Bhd and RHB Sakura Merchan Bankers are the joint lead arrangers and managers of the deal. The first 5 year profits of the notes will be funded either with internal generated funds <i>or from proceeds of future bond issues</i> under the Murabaha MTN Programme.
RM 150 mn Hubline	Hubline Bhd appointed Affin Merchant Bank to act as principal adviser and lead arranger for the proposed issuance of Murabaha commercial papers (CP)/medium term notes (MTN) of up to RM 150 mn (Euro 33.8 mn). Affin Merchant Bank is named as primary subscriber also for the proposed Bai Bithaman Al Ajil Islamic debt securities to RM 70 mn (Euro 15.8 mn), reported The Edge Daily on 22nd November.
Ratings	Ratings reaffirmed for New Pantai Expressway, is announced by the Rating Agency Malaysia on 28th November.
	Funds / Equity / Real Estate
DJ Islamic Sustainability Index	Rushdi Siddiqui announced on a conference in Malaysia that Dow Jones Islamic Market Indexes, comprising of more than 60 differentiated indexes, will be enriched with a new Islamic sustainability Index to be launched within the next 6 to 8 weeks in Asia and Europe, reported the Star Malaysia on 30th November.
	GCC
USD 800 mn Albaraka	Albaraka Banking Group is aiming to raise USD 800 mn in shares and Sukuk and considers listings in Dubai, Malaysia and Manama, the CEO Adnan Yousif told Reuters on the IFSB conference in Luxembourg, reported The Edge Daily on 10th November.
RUW financed	The first ever private university for Women in Bahrain, the Royal University for Women (RUW), is receiving Musharaka finance by Emirates Islamic Bank, Gulf Finance House Commercial Bank, Amlak Finance and Islamic Corporation for the Development of the Private Sector. The university will provide students degrees authorised by reputed universities in UK and Canada, reported Strategyi on 29th November.

**USD 250 mn
VC Fund**

Gulf Daily News reported on 27th November on the USD 250 mn Islamic venture capital fund focusing on investment in small and medium enterprises in the GCC and MENA region. It is managed by the new Venture Capital Bank (VCBank) in Bahrain and co-managed by Global Emerging Markets (GEM) Group, a US based private investment firm. The fund will be launched and marketed during the first quarter of 2006 to high net worth individuals and institutions in the GCC and internationally.

**Shamil FX
Modaraba**

Shamil Bank launched the Shamil FX Modaraba, a capital protected product, which invests in currency linked instruments in collaboration with Deutsche Bank. Class A investors receives a return of 12 % p.a. if the Euro/USD range keeps in certain trading range and Class B investors receive a return of 2.25 % regardless the fluctuations but an upside gross profit of 8.25 % in case the trading range is maintained. The underlying structures were not mentioned in Gulf Daily News on 24th November.

**Islamic Real
Estate Finance****D u b a i****17-19 December****USD 50 mn
GCC fund**

Dubai Islamic Bank (DIB) launches the USD 50 mn Al Islami Equity Fund. Target region are the 6 GCC countries. DIB, the Fund Manager, will be responsible to select and overview the administrator, custodian, registrar and investment manager. As investment manager DIB has appointed the Securities and Investment Co. (SICO). The Shariah Board of DIB will provide Shariah guidance and will be responsible for annual Shariah audit of the fund, reported AMEinfo on 12th November.

**Islamic REITs
guidelines****SE Asia**

The Securities Commission in Malaysia issued guidelines for Islamic real estate investment trusts (REITs) as the first jurisdiction to complement the general REIT guidelines issued in January. The information are for download at www.sc.com.my. The Securities Commission Shariah advisory council has approved the contents, reported The Star on 22nd November.

**RM 500 mn
Malaysian Index
Fund**

RHB Group is launching a passive managed fund with RM 500 mn (Euro 113 mn) named "Dow Jones RHB Islamic Malaysia Index" following the launch of the index in June. The fund is managed according to the index, which is fitting the criteria of Gulf investors as well, reported Gulf Times on 29th November. According to Albawaba the fund will be open ended.

Takaful**Saudi market**

Arab News discussed on 28th November the GCC Islamic insurance markets. In Saudi-Arabia alone 20 insurance companies await licensing, another 10 applied. The Jeddah Chamber of Commerce expect the Kingdom's insurance market to triple from SR 8 bn (Euro 1.8 bn) to SR 24 bn (Euro 5.5 bn) within the next 10 years. Insurance currently represents only 0.7 % of GDP, what is expected to reach 3.7 % in 5 years once the companies are licensed. Among those players is the Dubai based International Arab Insurance Company, which increased its capital from 50 mn Dirhams (Euro 11.6 mn) to 1 bn Dirhams (Euro 232 mn) recently.

Takaful**21-22 Feb 2006**

The 2nd International Symposium on **TAKAFUL 2006**

21-22 February 2006, Langkawi, MALAYSIA

The Andaman, Langkawi

**New licenses
in Malaysia**

Bank Negara of Malaysia is planning to issue 4 new takaful licenses by January, reported The Star Malaysia on 25th November. Syarikat Takaful Malaysia according to its CEO Md Azmi Abu Bakar still expects to maintain its 20 % growth in terms of premiums as total market penetration is still low with 5.2 %, The Star wrote on 28th November. The Edge Daily cites Takaful Nasional on 25th November that the new applicants coming from Japan, Europe, the Middle East and even Australia; on 22nd November The Edge Daily named HSBC as one of the applicants. Bernama reported on 23rd November that Idaman Unggui Bhd is teaming up with Kuwait Finance House Sdn Bhd (Malaysia) for one the licenses. Another applicant was mentioned in The Star on 10th November: Kurnia Asia Bhd.

Takaful Re

Takaful Re held its inauguration in Dubai on 20th November, operations will begin on 1st January the Chairman Khalid Ali Al Bustani was cited by Ameinfo on 23rd November. Takaful Re is going to operate from the DIFC.

Introducing Islamic Compliant Financial Products

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By Michael Saleh Gassner

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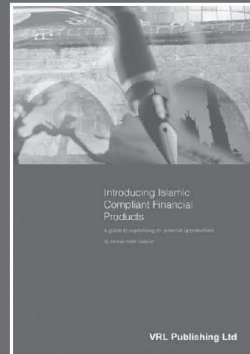
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