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Michael Gassner  
Consultancy Ltd.

## Editorial

### **Dear Readers,**

*As salamu alaikum,  
wa Ramadan Karim*

*Fitch, Moody's and Standard & Poors all commented either on GCC banks or takaful and the role of Islamic finance in the region.*

*Further: After some time now the large bank projects are licensed and going active in 2007.*

*Let's see how the market develops further!*

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*Best regards wa salaams,*

*Michael Saleh Gassner  
London – Istanbul - Jeddah*

### **Islamic Finance in Minority Areas**

FSA  
British Islamic Insurance Holding

### **Islamic Banking**

EMAR, UIB, Masreqbank, UBS, CBI, Ithmaar, DIFC, IHG Securities, Saudi Investment Bank, Masraf Al Rayan, First Finance, Kuwait Finance House, Bahrain Islamic Bank, Al Baraka Banking Group, International Islamic, Labuan regulation

### **Fixed Income (Sukuk, Syndication)**

Moody's, Fitch, Standard & Poors, Walkers, Trower & Hamlins, Sharjah Islamic Bank, Emaar Properties, Unicorn Investment Bank, WestLB, Investment Dar, NICBM, Qatar National Bank, IDB, Alafco, Global Energy Ventures, Sipchem, Dubai Islamic Bank

AmMerchant, Aseambankers, CIMB, Khazanah, PLN, PLUS, SCOMI, Sarawak, Kajan Sil Highway, Bank of Tokyo-Mitsubishi, KFH (Malaysia)

### **Wealth Management**

Faisal Private Bank, Sanad Sukuk fund, Mashreqbank, Dow Jones, Global Investment House, Shuaa Asset Management, Sharja Islamic Bank, Jefferies International, Noor Capital, Dubai Islamic Bank, UBS, Standard Bank, Unicorn Investment Bank, Arcapita, Property markets, Shamil Bank, Istithmar, Merrill Lynch

Prudential Fund Management, RHB Unit Trust Management, Boustead, Golden Hope

### **Takaful**

Moody's, Standard & Poors, Converium, AIG, Axa Insurance Gulf, Rulebook Qatar, International Islamic Bank, Solidarity

### **Conferences**

November, 4-6: Islamic Real Estate Finance, Jeddah,  
[www.irefme.com](http://www.irefme.com)

November, 14-16: Structured Products Dubai  
[www.terrapinn.com/2006/spmena/](http://www.terrapinn.com/2006/spmena/)

November, 19-21: Private Banking Middle East  
[www.terrapinn.com/2006/pbme](http://www.terrapinn.com/2006/pbme)

November, 13-16: International Islamic Finance Forum, Zurich  
[www.iiff.net](http://www.iiff.net)

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**Dear Reader,**

FSA

The UK regulator, FSA, has published the secondary legislation to bring home reversion and Ijara home purchase plans into regulation. The changes will ensure that consumers of equity release products and Sharia compliant home purchase plans will benefit from protection afforded by FSA regulation. It will take effect from 6 April 2007, subject to Parliamentary approval, reported Connect. UK.

British Islamic Insurance Holdings

Mike Ross, the former executive of Scottish Widows built a team to develop and Islamic insurance business. The other team members are Dennis Holt, ex-head of Axa UK and Peter Nowell a former director with Alba Life. "British Islamic Insurance Holdings" has three executive directors: Abdulaziz Hamad, a Saudi Arabian-based investor, Abdulrahman Ahmed Yousif Abdulmalik, the Bahrain based chairman of the Islamic Bank of Britain and Syed Mohammed Nadeem Mujtaba, a Bahrain based businessman. Islamic Capital Partners, a Pakistan based investment business, has invested GBP 20 mn in British Islamic Insurance Holdings; the project was initiated by their associate Gulf Ventures Corporation. The business shall go IPO at the AIM segment of the London stock market, reported ScotlandonSunday, on 23 September.

**3<sup>rd</sup> Islamic Weath Management Event**3<sup>rd</sup> Annual Islamic Wealth Management Event, Geneva

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**Islamic Banking in the GCC**The International Islamic Finance Forum, Zurich  
13-16 November

EMAR

EMAR International Bank, promoted by the Islamic Chamber of Commerce and Industry, will start operations till year end with a capital of USD 1 bn, reported Baba Das Augustine in Khaleej Times on 13 September. The capital is open for participation of Islamic banks, financial institutions, public investment companies and high net worth individuals according to the President of the chamber, Saleh Kamel. Its investments banking activities ranging from securitisation, liquidity management and general finance of investment opportunities.

UIB

New "UIB" announced its start of operations following the final approval of the Central Bank of Bahrain with a total Issued Share Capital of USD 2.5 bn and a paid up share capital of USD 291 mn as an Islamic investment bank. The board of directors consists of Shaikh Tahnoon bin Zayed Al Nahyan as Chairman of the Board, Prince Khaled bin Al Waleed bin Talal Al Saud as First Vice-Chairman, and Asad Al Banwan as Second Vice-Chairman besides the election of the remaining eight board members including Khalid Al Nasser, Waleed Khalifa Fulajj, Khamis Bu Haroon Al Shamasi, Ahmed Al Dosari, Yousef Sultan Al Majed, Hani AbdulKadir AlBakri, Dr Abdulla Al Turki and Waleed Al Essa.

## Mergers

The CEO of Mashreqbank, UAE, Abdul Aziz Al Ghurair, does not expect Merger and Acquisition activity in the near future in the UAE, as most banks have grown in size and are performing well, taking the urgency out of the matter, reported Khaleej Times on 20 September.

## UBS – DIFC

UBS has been granted a license to open an office in the Dubai International Financial Centre, planned for end of the year. From the branch their existing Islamic finance capability is said to be grown to become a market leader in the Gulf region, reported Middle East Times on 15 September.

## CBI

Commercial Bank International (CBI), based in Ras Al Khaimah, UAE will start an Islamic finance company. Formerly the bank planned to convert entirely to an Islamic bank, however, the annual general meeting of the shareholders did not approve the step. The new entity shall have an initial capital of USD 500 mn. 40 % will be brought into by the bank itself and 60 % is expected to be contributed by strategic partners. Ernst & Young is appointed to find those. The bank will shortly apply for a license for this venture, reported Khaleej Times on 12 September.

Islamic Finance  
Pakistan  
Conference

6-7 December,  
Karachi



## Ithmaar

Ithmaar Bank announced a profit of USD 33.2 mn for the first 6 months 2006. The annualized return on equity amounted to 14.8 %. The bank achieved the earning growth in spite of structural changes and capital increase to USD 360 mn. The current business covers 4 geographic segments, Bahrain, Other Middle East, Pakistan and Europe. The bank also expands its business into Malaysia and China.

Michael Lee is appointed as new CEO for Ithmaar Bank, reported Albawaba on 24 September, effective from 1 January 2007.

## DIFC

## Statistics

Arif Sharif from Gulf News reported on 5 September about a speech by Nasser Saidi, Chief Economist at the Dubai International Financial Centre (DIFC). He gave insight that the growth of the industry shall be mainly driven by products aimed at institutional investors and only about 20 % of the Muslim population in the GCC buying Sharia compliant products yet. Estimations of the industry size are about USD 850 bn, which includes Islamic funds with assets of USD 350 bn. There were about USD 15 bn of Sukuk outstanding, but their oversubscription indicates the potential. The industry has grown by 20 % and could expand by 20-25 % annually owing to opportunity for Islamic structured products to support project financing needs. Further he mentioned that the DIFC aims to develop a liquidity management centre.

## Khalid Yousaf

Khalid Yousaf moves to IHG Securities as head of Islamic Finance. Khalid was previously Head of Islamic Finance for the Dubai International Financial Centre, reported Ameinfo on 8 October.

Saudi Investment Bank The Saudi Investment Bank (SAIB) launched its new Islamic banking program “Alasalah” and announced the opening of 10 new Sharia compliant branches, while the step will result that more than half of the branches moving to Islamic banking. The Chairman of the Sharia Supervisory Board, Sh. Abdullah ibn Sulayman ibn Manii, states that now a majority of customers require Islamic banking, and it accounts for 64 % of total banking operations in Saudi Arabia. The Saudi Investment Bank is rated with A- Long Term, and A-2 for Short Term with stable outlook by S&P. The shareholders JP Morgan Chase, Mizhuo Corporate Bank, and Saudi public and private institutions as well as individuals, reported Arab News on 26 September.

Masraf Al Rayan Pratap John reported on Masraf Al Rayan, Qatar in Gulf Times on 9 October. The bank presented real estate related project, the USD 2 bn Smart Industrial City. Beside Real Estate, Project Finance will be a priority.

First Finance First Finance increased net income for the July to September period to QR 41.3 mn from QR 32.5 mn a year earlier, reported Gulf Times on 9 October.

KFH Bahrain Islamic Bank Kuwait Finance House sells its stake of 13.5 %, amounting to KD 21.49 in Bahrain Islamic Bank, reported Khaleej Times on 29 September. The reason named were investment considerations amounting to a realized profit of KD 16.5 mn.

Islamic Real Estate Finance  
4-6 November  
Jeddah



#### Islamic Banking Asia

Albaraka Al Baraka Banking Group sets up 20 branches in India, 15 in Indonesia and 20 in Malaysia over the next one year through subsidiaries, reported Khaleej Times on 26 September.

International Islamic Santosh V Perumal reported in Gulf Times on 12 October that International Islamic, Qatar, is planning a USD 100 mn Asian entity in 2007. Bank Al Falah, Pakistan intends to open a fully owned, complete Islamic bank and should start with 20 branches, reported The News.

Bank Negara Bank Negara issued the guidelines for Islamic financial services in foreign currencies. The guidelines are deemed for the establishment of new entities in the Malaysia International Islamic Finance Centre and covers international Islamic banks (IIBs), international takaful operators (ITOs); both with a full tax exemption for 10 years. IIBs need a minimum paid up capital of RM 10 mn and getting charged an annual license fee of RM 50,000. For Takaful it is respectively set at RM 10 mn and 5,000 licensing fee. There is no need for a physical presence in Labuan, reported The Star on 15 September

#### Fixed Income – Sukuk, Syndication and Liquidity Management


##### GCC

Moody's Moody's upgraded domestic currency ratings of GCC states, reported The Peninsula Qatar on 5 October: Bahrain to A3 with a positive outlook (Baa1 on review for upgrade previously), Kuwait to Aa3 with a stable outlook from A2 on review for upgrade, Oman to A4 with a positive outlook from “Baa1” on review for upgrade, Qatar to “Aa3” with a stable outlook from “A1” on review for upgrade, Saudi-Arabia to A2 with a positive outlook from A3 on review for upgrade and the UAE to Aa3 with a stable outlook from A1 on review for upgrade. The analyst Tristan Cooper of Moody's said that *not only the hydrocarbon prices caused the improvement, it also has been encouraged by the relatively prudent use of oil exports.*

Fitch	<p>Charles Seville, Associate Director Sovereign, Fitch Ratings wrote for the Gulf News on the GCC banking credit growth, which has increased by an average of 38 % in the GCC in 2005. Positive points are that the non oil sector is the biggest driver of growth, and the exposure of banks as share of the economic output is just half the level of the G7 states. Mega-projects in energy and industry tend to be funded by foreign rather than local banks. Negative points cited are the role of financing investment, especially personal finance to stock market investors and for household consumption. <i>He concludes that banks are well-capitalised, offsetting the risks from asset quality or concentration of lending, and keenly supervised by the region's central banks.</i> Fitch evaluate four out of six GCC member states at par with most developed countries regarding the banking system.</p>
S&P	<p>Standard &amp; Poors published a report stating that the booming regional economy is an opportunity for banks to progress their customer franchise and diversifying revenues. At the same time the losses on regional stock markets will challenge to repeat the high earnings of the previous year. A warning has been given, that the positive developments of the past few years bear the risk of complacency. <i>"Gulf banks may be underestimating their structural weaknesses and challenges, including their limited size and diversification, an underdeveloped credit culture and weak corporate governance."</i>, reported Gulf Daily News on 6 September, banks should review their business models, strengthen risk management and develop new business lines, along Private Banking, Insurance, Islamic Banking, Venture Capital and Corporate Finance. The report was written by analyst Emmanuel Volland.</p>
S&P	<p>Gulf Daily News cites on 7 September Zeynep Adalan from Standard &amp; Poors, with comments on the progress made in the GCC regarding securitisation. <i>Challenges towards the large potential are said to include the untested and uncertain legal environment beside some specific legal issues and the lack of historical data.</i> Nevertheless securitisation is seen to increase further.</p>
Sukuk statistics	<p>Two major law firms commented on the Sukuk market. Walker elaborated on the use of Cayman Island as predominant offshore centre for the related Special Purpose Vehicle in a press release dated 19 September, while Trowers &amp; Hamlin provided insides into the size, which is said to be doubled for non sovereign issuers to USD 4.585 bn in the first half of 2006. <i>It is also said that now 81 % of all new bonds in the Gulf are Sukuk</i> compared to only 26 % in the first half year 2005, reported Gulf Daily News on 19 September. And in Indianmuslims.info, same date, it is said that foreign investors represent an increasing segment of the market for Islamic debt, and even buying corporate Sukuk and not just sovereigns.</p>
Sharjah Islamic	<p>Sharjah Islamic Bank made a road show for its 5 year USD Musharaka Sukuk arranged by HSBC Amanah, which is expected to be listed at London Stock Exchange. The Sukuk is rated BBB by S&amp;P, reported Ameinfo on 17 September.</p>
Investment Dar	<p>Unicorn Investment Bank (UIB) and WestLB closes USD 150 mn Sukuk for Investment Dar, were announced via a press release published by AMEinfo on 20 September. 15 banks and institutions participated in the transaction, including investors in Europe and Asia. The transactions was launched on 6 June with UIB and WestLB as joint-lead arrangers. UIB acted as the structuring agent and WestLB as the sole underwriter and bookrunner.</p>
NICBM	<p>National Industries Company for Building Material (NICBM), Kuwait launched its first USD denominated Sukuk. It has a 5 year term with possible listing at the Irish Stock Exchange. Kuwait Finance House is the mandated lead arranger and the book runner for the issue. Gulf International Bank, Liquidity Management Centre, Bahrain and Standard Bank, London will act as joint lead managers. Standard Bank will also act a joint book runner with KFH, reported The Star Malaysia on 18 September.</p>
QNB	<p>Qatar National Bank plans to focus efforts on more Sukuk to be issued after the success with the Qatar Real Estate Investment Company, especially on the corporate side, reported Gulf Times on 24 September.</p>
International Islamic	<p>The plans for Sukuk issued for the International Islamic Bank, Qatar, itself has been changed, mentioned Santhosh V Perumal, in an article for Gulf Times on 12 October.</p>
QREIC	<p>Qatar Real Estate Investment Company has signed a USD 105 mn Murabaha facility with HSBC and Masraf Al Rayan, following their Sukuk issue. The facility is in syndication and expected to close shortly.</p>

IDB	The Islamic Development Bank revealed plans to issue USD 500 mn Sukuk, but is said not having decided, when this will be the case, reported Yahoo based on Reuters on 20 September.
Emaar	Emaar Properties will raise USD 1 bn through a 5 year Musharaka Islamic syndication, reported Gulf News on 4 October. Emaar, is among largest real estate companies in the world and covers UAE, Saudi-Arabia, Egypt, Morocco, Syria, Tunisia, Turkey, Pakistan and India.
Alafco	Alafco plans to buy 10 Airbus and Boeing aircraft next fiscal year for up to USD 500 mn. Sukuk are getting an option in the financing mix, Ahmad Al Zabin, said to Reuters, reported Khaleejtimes on 1 October.
Aircrafts	Ben Flanagan reported on Itp.net on 17 September that Aircraft may increase to be used to form the asset for Sukuk. Promoters of the concept see their advantage in mobility of the asset to be put active in different regions and an improved legal framework for investing in aircraft.
Energy as asset	Mashreqbank plans an Islamic energy 'future' contract to be traded on the Dubai Mercantile Exchange from the second half of 2007. The contract will be based on Salam, which is payment in advance for future delivery. <i>The instrument could absorb excess liquidity.</i> The structure shall receive Sharia approval by year end and seeks partner from the energy industry, such as Abu Dhabi National Oil Company, reported The Peninsula Qatar based on AFP on 10 September.
Gulf oil firms	More issuance of Sukuk are ahead from Gulf oil firms, reported Gulf Times on 21 September. Qatar is said to consider Islamic debt to finance up to USD 60 bn in energy projects by 2010. Kuwait has said it needs to invest at least USD 64 bn to develop its energy industry and increase oil output. The total demand in the region cannot be fulfilled by loans alone, the wider capital market is needed to get used for it.
Global Energy Ventures	Global Union Energy Ventures, the first specialised investment advisory firm in the midstream and downstream sectors, has opened an office in Bahrain. The company has currently a mandata to arrange about USD 6.1 bn fund for two projects in Indonesia and India. Chairman of the company is Jeffrey M. Waterous and President Amir Merchant. The company operates according to Sharia principles to address Islamic banks as investors. The firm conducts business in M&A, Privatisations, R&D, and debt syndications, reported Bahrain Tribune on 18 September.
Sipchem	The Saudi International Petrochemical Company (Sipchem), is said to have rearranged conventional debt with Ijara structure prior to the IPO. One about USD 150 mn is finalised with three banks and another of USD 36 mn shall be in the process. The company's deposits are all transferred to an Islamic Murabaha portfolio, reported Arab News on 8 September.
Dubai Islamic Bank Barclays Capital AmMerchant HSBC	Dubai Islamic Bank emerged as the world's top underwriter of Sukuk according to the latest "Underwriter Ranking" produced by Bloomberg. Barclays Capital was second in the ranking followed by AmMerchant Bank of Malaysia and HSBC Bank was fourth, reported Gulf News on 20 September.
	<b>ASIA</b>
AmMerchant	AmMerchant tops in arranging ringgit, Islamic bond sales in the first nine months of the year. Issuance spurred up in April after Central Bank's decision to cap interest rates.
Aseambankers	AmMerchant arranged for 46 deals valued at RM 5 bn, according to data compiled by Bloomberg. Aseambankers Bhd was second with 30 deals worth RM 4.2 bn and CIMB Investment Bank was third with 47 deals totalling RM 4 bn, reported Business Times on 3 October.
CIMB	
Khazanah	Khazanah raised USD 750 mn in the first exchangeable (convertible) Sukuk. The structure allows to exchange the bond against Telekom Malaysia shares, was accepted in the Mideast, reported Moneycentral.msn.com on 28 September.

PLN	<p>PLN, Indonesia, is going to offer a conventional US Dollar bond without an Islamic tranche, wrote Ditas Lopez and Karen Lane on 6 October via Dow Jones Newswire. It was disregarded because of unresolved tax issues relating to Sukuk. PLN is rated BB- by S&amp;P.</p>
PLUS	<p>PLUS has successfully completed its debt replacement exercise of about RM 2.26 bn nominal value of zero coupon sukuk series 1 and RM 2.41 bn nominal value of zero coupon sukuk series two, all under the principle of Musharaka. Aim was to replace the BBA debt existing before. The Sukuk were granted a AAA rating by RAM Malaysia, reported Bernama on 11 October.</p>
SCOMI	<p>SCOMI Group Bhd, a wholly owned subsidiary of KMC Oiltools Bermud Ltd, plans to issue up to RM 630 mn nominal value Murabaha notes. The issue is expected to be completed no more than six months from the date of Securities Commission's approval, reported Business Times on 6 October.</p>
Sarawak	<p>Sarawak Enterprise Corporation Bhd (SEVB) are issuing up to RM 950 mn Sukuk Al Mudaraba and RM 215 mn Sukuk musharaka papers for the Mukah power plant project, reported Bernama on 2 October. RHB Islamic is the lead arranger and underwriter. Both Sukuk shall comply with the GCC standards of Sharia compliance, and mature in 15 respective 22 years.</p>
Kajang Sil	<p>C.S. Tan reported in The Star on 19 September about the likely default of the Kajang Sil Highway and operator Sunway infrastructure. Traffic on the highway was 75 % below forecast. The company secured new investors willing to share subscription and shareholder loan, enabling an offer of RM 740 mn cash to settle for the Islamic debt securities. The principal would be paid back this way, while profits are not achieved. The exercise would require the approval of the debt paper holders, shareholders and the authorities.</p>
Bank of Tokyo-Mitsubishi	<p>The Bank of Tokyo-Mitsubishi UFJ cooperates with CIMB Malaysia in order to issue Islamic bonds of Japanese companies in Malaysia., reported Anantara on 5 October.</p>
Bank Muamalat Malaysia	<p>Bahrain Tribune reported on Bank Muamalat Malaysia Bhd on 8 September. The bank has completed their RM 250 mn Islamic subordinated bonds, with a tenor of 10 year on 10 non-callable five basis, issued at par and pays a profit rate of 6.25 % p.a. The issuance should qualify as Tier 2 capital for the purpose of Malaysian capital adequacy regulation.</p>
Sukuk projections	<p>Ho Siew Yee reported on 3 October in Business Times about the projected bond issuances for 2006. Both Rating Agency Malaysia (RAM) and Malaysian Rating Agency Corp (MARC) estimated a similar range of RM 35 to RM 40 bn from some RM 29 mn in 2005. About 70 % of the issues previously were Islamic based.</p>
Ijara Swap	<p>Kuwait Finance House (Malaysia) introduces KFH Ijarah Rental Swap-I, reported Alefan Hary in The Edge Daily on 3 October. It enables to hedge long term commitments, in the field of variable or fixed ijarah based facilities like project finance, auto financing, sukuk and others.</p>
	<p><b>Islamic Wealth Management</b></p>
	<p><b>GCC</b></p>
Faisal Private Bank	<p>Faisal Finance is awarded a full banking license in Switzerland and will be renamed as Faisal Private Bank. Faisal Private Bank's principal shareholder is Ithmaar Bank BSC, regulated by the Central Bank of Bahrain, reported Ameinfo on 4 October.</p>
Sanad Sukuk Fund	<p>The Sanad Sukuk fund announced the appointment of Jawad Ali, King &amp; Spalding as legal counsel, Shape Financial as Sharia Advisor, and Mark Mortimore as fund manager in different press releases. The editor is advisor to the fund management company for sales strategy, PR and Marketing.</p>
Mashreqbank	<p>Mashreqbank plans among conventional fund also an Islamic fund aiming to hold assets as local and regional Sukuk, reported Khaleej Times on 20 September.</p>

Dow Jones GCC Islamic Index	Dow Jones plans GCC Islamic regional Index, reported Saifur Rahman in Gulf News on 6 October. Recently Dow Jones launched an Islamic Index for Kuwait.
Global Investment House GCC Islamic Index	Global Investment House, Kuwait launched its new GCC Islamic Index. The Global GCC Islamic Index comprises of 66 companies of the GCC countries, which passed the screening criteria. It is said that the index comprises of all Sharia compliant stocks of the GCC region, reported KUNA on 30 September.
Shuaa Asset Management	Shuaa Asset Management, a division of Shuaa Capital announced the launch of Arab Islamic Gateway Fund, its first Islamic product. It will invest in equities listed on Arab Stock Markets in the Mena region. Sharia compliance services are rendered by Dar Al Istithmar, London, reported Gulf News on 10 September.
Structured Products World MENA  12-14 November  Dubai	
Sharjah Islamic	The Sharjah Islamic Bank's brokerage services subsidiary, Sharjah Islamic Financial Services is now started, reported Ameinfo on 11 September.
GCC infrastructure	GCC Infrastructure expenses shall exceed USD 360 bn this year compared to USD 45 bn. Size and number of infrastructure funds are increasing, summarized Menafn based on Khaleej Times on 7 October.
Jefferies	Jefferies International, the investment banking and securities firm and member of the DIFX, plans to launch 2 equity funds worth USD 800 mn before the end of the year, cites Ameinfo Emirates Today on 24 September. Both funds shall be sharia compliant and close ended.
Noor Capital	Noor Capital will launch a USD 100 mn MENA fund and some sector-specific funds early next year. Most of the products shall be Sharia compliant. The company intends to invest into its own funds along with outside investors. Noor Capital was established last year and is currently capitalised at AED 350 mn, based in Abu Dhabi, UAE and targets to launch financial services ranging from asset management, private equity, structured products, wealth management and investment banking, reported Gulf News on 20 September.
Dubai Islamic Bank	Dubai Islamic Bank closed successfully their 3 year CLIP note (Commodity Linked Individually Capped Performance), reported Ameinfo on 11 October. The notes are capital protected and offering a participation of 10 % in the first year and 8 % from the second year, subject to the performance of the basket of commodities (gold, crude oil, copper, aluminium and zinc).
UBS	UBS also offers commodity linked certificates, which are tradable, while details of the structure were not revealed, reported Gulf News on 14 October.
Standard Bank	Standard Bank is going to create an investment fund in Iran, where the stock market shows a price earning ratio of below 5, reported Gulf News on 13



Unicorn	Unicorn Investment Bank will underwrite and assist Teshkeel Media Group in the raising of USD 25 mn. TMG is headquartered in Kuwait and active in the filed of comics in Arabic.
Arcapita	Robin Morton reported in Belfasttelegraph on 9 October about the acquisition of Viridian, the parent company of Northern Ireland Electricity by Arcapita in a GBP 1.6 bn bid. Shareholders of Viridian are said to receive a formal offer in 3-4 weeks. Arcapita has pleaded to protect employee's pension and employment rights, and plans to make a contribution of GBP 50 mn to the Viridian pension fund, which currently has a deficit of GBP 44 mn. Customer prices are set under price, agreed by the regulator. Also for the shareholders the deal looks attractive, Jack Gorman at Davy Stockbrokers in Dublin gets cited by Reuters. The premium is about 40 % above the closing share price in the last half year. Philip Green from Merrill Lynch expects that Arcapita might achieve an annual investment return of between 11-13 %, reported The Peninsula Qatar on 9 October. Credit Suisse is advising Viridian and Dresdner Kleinwort Arcapita.
Arcapita Ventures	Arcapita launched a USD 200 mn Arcapita Ventures I to GCC investors. The fund targets VC investments in US companies. Arcapita and its affiliates will invest themselves up to USD 50 mn in the fund as policy and to complete its first three investments in the fund. Duration will be 10 years, reported Khaleej Times on 19 September.
GCC acquisitions	The total size of acquisitions by GCC firms in the first 8 months have reached USD 29.5 bn in the UK, Europe and North America, Bahrain Tribune reported on 28 September. This is written in a report on corporate governance published by the Washington based Institute of International Finance in cooperation with Hawkamah.
International Property	Middle Eastern investments in international property increases, as Arif Sharif reported in Gulf News on 6 October. According to Jones Lang LaSalle, the Middle East spending on global real estate surged 50 % in 2006 to USD 15 bn, The region became the third largest foreign property investor. About USD 6 bn was invested this year to date in commercial real estate only, USD 4 bn in the USA and USD 2 bn in Europe.
Shamil Bank	Shamil Bank exited the Ehsa 2 Morabaha, which financed the purchase and sale of a land area in the Al Ehssa region of Saudi Arabia. Ahmad Tayara of Shamil Bank gave as reason the slow down in the real estate sector in Saudi Arabia, while the clients shall received their expected returns, reported Gulf Daily News on 3 October.
Istithmar	Istithmar Bank partnered with AIG Global Real Estate for the creation of the Dar Istithmar LeI Aqarat (DIA) fund., established to invest in the Middle East, North Africa, India, Pakistan, Turkey as well as other emerging markets, reported Khaleej Times on 18 September.
Merrill Lynch	Bahrain Tribune reported on 15 September on developments in Investment Banking and Private Banking in the region. It is notable that many international banks strengthen their forces, e.g. Merrill Lynch is said to seek investment bankers and Islamic finance specialists in its Dubai and Bahrain offices.
	<b>ASIA</b>
Prudential	Prudential Fund Management Bhd plans to launch its Islamic offshore products in foreign currency in the first quarter next year, according to the CEO Mark Toh Chin Hian, reported Bernama on 15 September. Target region shall be West Asia (GCC) but also United States and Europe.
RHB	RHB Unit Trust Management has declared the income distribution for the RBH Islamic Bond Fund of 2.81 %. The fund shall have outperformed its benchmark (Bank Islam's 12 months fixed deposit rate) since inception in August 2000 to August 31 2006 with a return of 42.69 % compared to 20.45 %, reported Bernama on 4 October.
Boustead	State controlled Boustead Holding announced a plan to raise RM 500 mn by putting its plantation into a Sharia based real estate trust, reported The Standard, Hong Kong on 20 September, based on a sale and leaseback type of transaction, with an expected yield between 6 – 7 %. Boustead retains control over its plantations with a share of some 55 % of the REIT. Golden Hope, with lands in Indonesia, is considered to be the next candidate if Boustead proves successful.
Golden Hope	

**Takaful**

Moody's

Moody's sees strong growth in Takaful reported Business Times on 12 October, although its *need for Islamic re-insurers* might constrain its growth. In recent years the industry grew by 20 % p.a.. The market will grow to USD 7.4 bn by 2015 from USD 2 bn in 2005. Moody's sees takaful firms in a similar way to traditional mutual insurers for the purposes of assigning ratings, but profit-sharing mechanism, asset investment strategies and corporate governance could influence credit strength.

Standard &amp; Poors

Khaleej Times reported on 7 September on a similar report of Standard & Poors by Kevin Willis in regard to insurance in the Gulf in general. He identified three key drivers: growing wealth, leading to more assets to be insured, higher commitment to stronger insurance regulation and the widespread introduction of compulsory insurance covers and the development of an Islamic alternative (takaful). The overall picture of the Gulf insurance companies is positive, while there are some pressures: Risk management and corporate governance is weak, the size in total figures of the industry will remain small in global terms and to some extent of lesser interest to international insurers, but the markets are attractive for other because profitability.

Converium

Converium Holding Ltd is to write international re-takaful business in South and Southeast Asia through its office in the Labuan Offshore Centre, Malaysia, reported Stuart Collins in Business Insurance on 10 October.

AIG

American International Group Inc. (AIG), plans to offer Islamic insurance products via its Enaya unit for areas such as health, autos and property to Gulf Arab customers, reported Business Insurance on 2 October.

Statistics

Will McSheehy from Bloomberg reported on 17 September about the AIG strategy as well and included interesting fact and figures: Premium rates are rising by 12-15 % a year in the Middle East and South Asian markets, that compares with an average 9 % decline in non life premiums outside the US. While premium volumes in developed markets grow about 2 to 3 % a year according to S&P, volumes do more than 30 % increase per year in the UAE, 17 % in Qatar and 5 % in Bahrain. Risks from terrorism and militancy also are increasing demand for coverage, AIG President Charles Boulux is stated.

Axa Insurance

AXA Insurance Gulf is planning to grow in the Middle East also by acquisitions, reported Arif Sharif in Gulf News on 24 September. AXA is also preparing for an entry into the takaful segment to take advantage of the growing preference for the service.

QFC Rulebook

The Qatar Financial Centre Regulatory Authority (QFCRA) issued a new rulebook "Prudential-Insurance Rulebook (PINS)", covering branches of foreign insurance companies, regional and local insurers, and takaful insurance providers. Direct insurers are supposed to have USD 10 mn capital and for reinsurance USD 20 mn, reported Gulf Times on 27 September.

International Islamic Bank

International Islamic Bank, Qatar, plans Islamic insurance firm in Syria, reported The Peninsula on 5 October.

Solidarity

Solidarity, Bahrain has appointed Gautam Datta to its executive management team as general manager for the General Takaful Division, reported

Best regards,

Michael Saleh Gassner

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