

ISLAMIC CAPITAL MARKET QUARTERLY BULLETIN

4TH QUARTER 2012

This bulletin focuses on the Islamic Capital Market news and developments during the fourth quarter of 2012.

CMDA SIGNED MOU WITH THE MINISTRY OF ISLAMIC AFFAIRS

During the previous quarter, CMDA and the Ministry of Islamic Affairs engaged in numerous deliberations regarding development of Islamic Finance and Islamic Capital Market in the Maldives. As a result of this mutual interest of both parties, a Memorandum of Understanding (MoU) was signed between CMDA and the Ministry on 30th October 2012.

The MoU encompasses collaborations and assistance for developing and promoting Islamic finance in the Maldives with a special focus on Islamic capital market.

Among the most prominent collaborations under the MoU is the joint commitment to establish the 'Maldives Centre for Islamic Capital Market and Finance'. It is believed that the Islamic Finance Center will contribute immensely towards the development of a full-fledge Islamic Finance Industry in the country.

Other important arrangements under the MoU include cooperation between the Capital Market Shari'ah Advisory Committee (CMSAC) and the Fiqh Academy, CMDA representation on the Zakath Fund Committee, and joint Islamic finance awareness programs.



Minister of Islamic Affairs and CEO of CMDA signing the MoU at a ceremony held in Islamic Center (30 October 2012)

TECHNICAL ASSISTANCE FROM IDB

The Government of Maldives has received funds from the Islamic Development Bank (IDB) for the introduction of Islamic Banking & Finance, and intends to utilize part of the proceeds of the IDB funding towards consultancy to develop a Sukuk market in the Maldives.

The capital market component of the project therefore aims to support CMDA towards developing suitable Sukuk structures applicable to the existing legal infrastructure and to build capacity within the CMDA to undertake the necessary functions to develop and sustain the Sukuk market.

Simmons & Simmons, a well-known consultancy firm experienced in analyzing Islamic finance products and providing training on ICM products to governments was appointed as the Consultant for CMDA's Sukuk market development project.

Representatives from Simmons & Simmons made an introductory visit to CMDA from 8th - 10th December 2012. The consultants attended meetings with the stakeholders to identify stakeholder interest and the practicality of Sukuk market development in the Maldives.



Visit of Simmons & Simmons consultants to CMDA (8-10 December 2012)



CMDA-INCEIF MoU

During the quarter under review, CMDA had various discussions with INCEIF regarding collaboration opportunities under the agreed MoU.

The deliberations with INCEIF focused mainly on providing attractive Islamic Finance education opportunities to the Maldivians.

The highly prioritized collaborations with INCEIF include training of CMDA's staff through executive programs offered by INCEIF and the opportunity for Maldivians to undertake specialized courses of INCEIF at discounted rates.

INCEIF provides three academic programs including; Chartered Islamic Finance Professional (CIFP) Program, Masters in Islamic Finance (MIF), and PhD in Islamic Finance.

Executive Programs offered at INCEIF

Chartered Islamic Finance Professionals

Premier Islamic Finance professional qualification equivalent to a Master Degree. Delivers a holistic and comprehensive syllabus specifically driven by industry.

Masters in Islamic Finance

Offers in-depth knowledge in the key areas of Islamic economics, finance & Shariáh –both theoretical and applied aspects.

PH D in Islamic Finance

Designed for extensive industry knowledge.

<http://www.inceif.org/index.php/inceif-campus>

CMDA's prime objective of establishing cooperation with INCEIF is to tap into their expertise and resources to produce high caliber professionals who will lead the Islamic Finance Industry in the Maldives.

Interested individuals may contact the Islamic Capital Market Development Section (ICMDS) of CMDA on (960) 3014114 for more information about the programs offered by INCEIF and various opportunities and the discounts offered by INCEIF.

CAPITAL MARKET SHARIÁH ADVISORY COMMITTEE

During the quarter, the Capital Market Shariáh Advisory Committee (CMSAC) met to deliberate on a regulation for the proposed Capital Market Shariáh Advisory Council.

The main objective of this proposed regulation is to strengthen the functions of CMSAC and to make it an autonomous body by giving it the form of a Council. The regulation will also enable the restructuring of CMSAC. The regulation is expected to be passed during the next quarter.

CHAIRPERSON OF CMSAC REGISTERED WITH SC MALAYSIA AS SHARIÁH ADVISER

CMDA congratulates the chairperson of CMSAC, Uza. Aishath Muneeza on being registered as a Shariáh Adviser in accordance with the requirements of the Registration of Shariáh Adviser Guidelines of Malaysia enabling her to engage in advisory services on non-ringgit Shariáh based products and services regulated by the Securities Commission. <http://www.sc.com.my>

TRAINING & AWARENESS

Training Course on Fundamentals of Islamic Capital Market

The Training Course on Fundamentals of Islamic Capital Markets was conducted at Nasandhura Palace Hotel from 7th–11th October in collaboration with Islamic Research & Training Institute (IRTI) of IDB. The course was inaugurated by the Minister of Islamic Affairs, Al-Sheikh Mohamed Shaheem Ali Saeed.



Training Course on Fundamentals of Islamic Capital Market
Nasandhura Palace Hotel, Male' (7 - 11 October 2012)

The main objective of the training course was to build capacity among the stakeholders of the Maldives Financial Sector and prospective issuers of Islamic Securities.

The major topics covered in the training include; Basic Shari'ah Concepts, Rules & Regulations of Sukuk, Islamic Equity Market, and Islamic Real Estate Investment Trusts.

Seminar - 'Dawn of the Sukuk Market in Maldives'

This one day seminar brought together key stakeholders and prospective issuers from across the finance industry and facilitated sharing of knowledge and experience related to Sukuk.

The seminar was a joint effort of CMDA and the industry professionals of Pakistan. The Chief Guest for the Seminar was Mr. Khalil Masood, the former Chairman of the Securities & Exchange Commission of Pakistan (SECP).

The seminar provided the participants with the opportunity to enhance their knowledge and understanding with regard to Sukuk market developments in Maldives, Pakistan & Turkey.

Speakers from Pakistan enlightened the audience on various segments related to Islamic Capital Market development and regulation.

Mr. Bilal Rasul, Director (Enforcement) at SECP provided information on enforcement of Islamic Capital Market Regulations.

Mr. Yildirim Akar from the Capital Markets Board of Turkey (CMB) enlightened the participants on the developments of the Islamic Capital Market in Turkey with a special focus on the system of Issuance of Sovereign Sukuk in Turkey.

The Chairperson of CMSAC, Uza. Aishath Muneeza and Chairman of the Bank of Maldives, Dr. Abdullah Shiham participated in the panel discussions and provided information on the challenges facing Sukuk market development in the Maldives.

Other distinguished panelists of the seminar include Mr. Muhammad Shoaib Ibrahim / Managing Director and CEO of First Habib

Modaraba (Pakistan), Mr. Mujeeb Beig / Head of Product Development and Research at Islamic Banking Group of MCB Bank Limited, Mr. Muhammad Faisal Shaikh / Head of Product & Business Development at BankIslami Pakistan Limited, Mufti Irshad Ahmad Aijaz / Shari'ah Adviser and Member Shari'ah Supervisory Board of BankIslami Pakistan Limited Dr. Anil D. Priyanka Baddevithana / Managing Director of Housing Development Finance Corporation and Mr. Harith Harun / Managing Director & CEO of Maldives Islamic Bank Pvt Ltd.



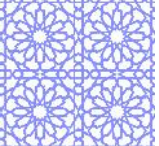
Opening Ceremony of the Sukuk Seminar (Traders Hotel, Male' - 13 December 2012)

Feedback from Seminar Participants

"With regards to the initiative of CMDA towards developing and fostering an Islamic Capital Market, this seminar was another stepping stone to educate and break the ice among the stakeholders. The information delivered through well versed lecturers during the seminar was a combination of practical examples and theoretical lessons. Workshops on this area could help a faster and effective kick off for "the dawn of Islamic Capital Market in the Maldives".

Broadly speaking, the citizens of our country have the right to conduct their financial transactions within the principles of Islam. In developing and fostering an Islamic Financial system, Islamic capital market is part and parcel element to support and underpin its success. Sukuk or Islamic bonds are one of the effective instruments that can facilitate the players of Islamic financial system to manage their profitability and ultimately their sustainability.

For Islamic Financial Institutions (IFIs) such as Islamic banks, managing liquidity is crucial. The launch of a Sukuk, beyond doubt, could help the



prosperity of the IFIs as well as the public and private sector. Short term surplus funds could easily be deployed in profitable economic activities giving the leverage our economy has always needed. It will encourage the public to manage their spending and have savings that can enhance their living standard with additional income generated from surplus funds.

Competition and corporate governance principles will emerge to boost the confidence of the investors and as a result the marketability and tradability of Sukuk will be surfaced in no time.” (Ali Wasif - Deputy Manager / Maldives Islamic Bank Pvt Ltd)

“I believe that the seminar was beneficial and it is important to get an understanding of the operation of Sukuk markets.

There seems to be a growing demand for Shariáh compliant securities, hence the need to develop Islamic capital/financial market.” (Maryam Manal Shihab - Company Secretary / Dhiraagu Plc)

INDULGENCE INTO ISLAMIC FINANCE

Islamic finance is based on principles of Shariáh that promote integrity, fairness, equity, trustworthiness, honesty and equitable distribution of wealth. Using these fundamental principles as the yardstick, following are the summarized key features of Islamic finance transactions.

Elimination of Activities that Cause Oppression to Mankind

Islamic Finance promotes activities that benefit mankind and eliminate factors that cause oppression. Hence, transactions based on the dealing of usury/interest or riba are prohibited in all Islamic financial transactions while profit out of a sale transactions are encouraged. Likewise, excessive uncertainty or gharar fahisha is prohibited along with gambling or maysir which are oppressive in nature. All Islamic finance activities shall be based on the dealings of real underlying asset or based on a real economic activity which differs from the concept of “making money out of money”.

Risk Sharing is Promoted whilst Risk Transferring in Prohibited

In all Islamic finance transactions “al-ghurm bil ghunm” (no pain, no gain) is the core principle. This simply means that if a profit is generated that profit shall be made through hard work and effort of a person rather than over-exploitation of another. The risk arising from a transaction between two or more parties shall be shared equally between the transacting parties without transferring the burden to one party in the transaction. Hence, in all Islamic finance transactions, risk is shared and not transferred to a single party involved in a transaction.

The relationship between the parties transacting are not only/merely creditor-debtor

In conventional financial transactions, whether banking or capital market (example: bond transactions), transacting parties engage on money lending activities that create a typical creditor-debtor relationship while in Islamic transactions the nature of the relationship between the parties differ, based on the type of the contract to which the parties enter. If the parties enter into an Ijarah (lease) contract, the nature of the relationship between the parties will be lessor-lessee whilst if it is a Musharakah (partnership) or Mudharabah (money management partnership) the nature of the relationship between the parties would be that of partners.

Conclusion

The core-principles of Islamic finance discussed in this article are the reasons why people are adopting Islamic finance. Without these principles, the prefix “Islamic” will have no meaning in the word Islamic finance.

Maldives, being a hundred percent Muslim nation has a large scope in developing a full-fledged Islamic finance industry. It is hoped that in due course, Maldives would have a resilient full-fledge Islamic finance industry that will house innovative products.

*This Bulletin is published by the Research & Publications Section of CMDA. All queries and suggestions with respect to the content of the Bulletin should be directed to:-
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