

## Pre-Ramadan flurry



**QATAR**

By Amjad Hussain

**As we near the holy month of Ramadan and the summer months, the Qatari market (as is the trend each year) enters into a quiet period until the later part of the year. Yet, ahead of the quiet period, a number of major announcements were made by a number of financial institutions within the Qatari banking sector that give cause for much optimism for the post-Ramadan season.**

Perhaps the most important announcement that was made this month relates to QNB Group, as its shareholders have approved the increase of the non-Qatari ownership limit from 25% to 49% and also approved the increase of the single ownership limit from 2% to 5%, in accordance with the applicable laws and regulations. This is a landmark announcement that is expected to stimulate and encourage foreign investors and other institutional investors to acquire significant shareholdings in QNB (one of the largest banks in the region) going forward.

QNB Group also recently announced that it has signed a landmark merchant agreement with Qatar Rail, which will see the bank join as a strategic partner and the official acquirer bank for all travel card and fare media payments. This agreement will ensure that Qatar Rail will be able to accept payments made with all major credit and debit cards issued in Qatar and worldwide.

The Commercial Bank of Qatar (CBQ) has mandated BofA Merrill Lynch, Al Khaliji, Barclays, QNB Capital, Standard Chartered Bank and Wells Fargo as the joint lead managers to arrange a series of fixed income investor meetings in Asia and Europe in preparation for issuing a benchmark five-year fixed rate US dollar-denominated senior unsecured Regulation S bond (in registered form) transaction under CBQ's US\$5 billion euro medium-term note program, subject to market conditions.

In other news, the recently listed Al Rayan Qatar ETF, represented by the founder, Masraf Al Rayan, and the fund manager, Al Rayan Investment,

announced a cash dividend distribution of QAR1 (27.18 US cents) per unit. This is the first Islamic ETF (exchange-traded fund) in Qatar and its progress is being carefully monitored by commentators.

Finally, Capital Intelligence Ratings, the international credit rating agency, has affirmed the financial strength rating of Qatar Islamic Bank (QIB) at 'A' with a stable outlook, with long and short-term foreign currency ratings affirmed at 'A+' and 'A2'. Meanwhile, Fitch Ratings has affirmed the long-term issuer default rating of QIB at 'A'.

The announcements that were made in recent weeks are an indication of the ongoing activity within the Qatari banking sector.

It is hoped that the positive trend continues during the course of the summer months and the market resumes in full force after the summer. ☺

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## Strengthening Al-Amanah Islamic Investment Bank



**THE PHILIPPINES**

By Rafael A Morales

**The proposed Philippine Islamic Financing Act (Senate Bill No 668) contains several provisions aimed at strengthening Al-Amanah Islamic Investment Bank (AIIB), the country's only existing Islamic bank, in order "to service a broader market".**

Under the proposed law, the authorized capital stock of AIIB will be increased to PHP10 billion (US\$191.1 million). However, the Monetary Board of the Bangko Sentral ng Pilipinas, upon the recommendation of the secretary of finance and with the approval of the president of the Philippines, can request to further "increase the authorized capital stock and total capitalization of AIIB up to amounts as may be necessary to attain the objectives of this [Philippine Islamic Financing] Act". According to Alex Bangcola, AIIB's chairman and CEO, the fresh capital would help the bank reach its goals "to expand Halal

financing products" as well as "to be a fully Islamic bank" by doing away with its conventional banking products and focusing on "Wadiah current accounts, Wadiah savings accounts, general investment accounts under [a] profit-sharing scheme and its [Mecca] pilgrimage savings plan". In fact, under its existing charter, AIIB is authorized to engage in Wadiah transactions where a gift (Hibah) is paid in lieu of interest.

The aforementioned profit-sharing scheme presumably refers to Mudarabah, Murabahah or Musharakah arrangements. AIIB is authorized by its charter to "carry out financing and joint operations by way of Mudarabah purchasing for others on a cost-plus financing arrangement, and to invest funds directly in various projects or through the use of funds whose owners desire to invest jointly with other resources available to [AIIB] on a joint Mudarabah basis". AIIB is also allowed to provide financing with or without collateral by way of leasing, sale and

leaseback or cost-plus-profit Murabahah arrangements. In addition, AIIB is empowered to carry out "Musharakah joint ventures or decreasing participation".

The 50-year term of existence of AIIB will be expected to start from the date of approval of the proposed law, and "renewable upon resolution of the general shareholders meeting called for said purpose".

At present, AIIB is owned by the Development Bank of the Philippines, a government-owned financial institution. Under the proposed law, AIIB will not be precluded from privatizing its ownership and "any limitation on the transfer of shares shall not be applicable with respect to the existing shareholdings of the government or any of its instrumentalities". ☺

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