


2008 London Sukuk Summit  
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## *Opportunities and Challenges for Sukuk in Asia: Japan and Other Non-Muslim Markets*

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### *Financial Times said...*

#### ■ Japan's sharia interest slowly grows

Islamic financing is the buzzword in many financial centres these days. In Asia, both Singapore and Hong Kong are making moves to become financial centres alongside Malaysia (by far the biggest), competing to attract petrodollars.

So where does Japan lie in this push forward?

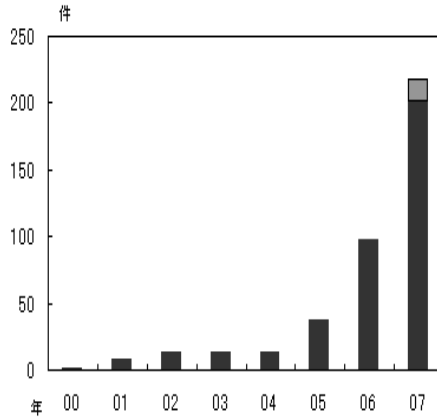
Japan's Financial Services Agency says it recognises the need for its financial institutions to become competitive in the area and there are amendments to the banking law slated to be in place within about six months that should make it easier, at least for these institutions' subsidiaries, to become more involved in this area of finance.

However, it may be that despite these observations, the FSA and the Ministry of Finance have more pressing issues to deal with.

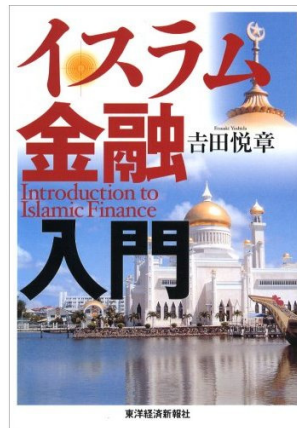
(...cont'd) [Financial Times (Asia), 16 June 2008]

## Growing Interest in Islamic Finance in Japan

■ No. of paper articles related to Islamic Finance



■ Books are published in Japanese --- the most selling one



## Japan ranked top??

■ Number of members of Islamic Financial Services Board (by country)

	Total	Full	Associate	Observer		Total	Full	Associate	Observer
Malaysia	25	2	3	3	Bangladesh	2	1		1
UAE	19	1	3	3	Hong Kong	2		1	1
Bahrain	16	1			Lebanon	2		1	1
Sudan	15	1		1	Palestine	2		1	1
Kuwait	13	1			USA	2			2
Saudi Arabia	9	2		1	Djibouti	1	1		
Qatar	9	1		1	Indonesia	1	1		
Japan	6				Syria	1	1		
Int'l Org.	5	1		4	China	1		1	
Pakistan	4	1		1	Mauritius	1		1	
Jordan	4	1			Philippines	1		1	
Brunei	3	1			Canada	1			1
Egypt	3	1			Germany	1			1
Iran	3	1			Morocco	1			1
Singapore	3	1			Senegal	1			1
Turkey	3				South Africa	1			1
Maldives	2	1		1	UK	1			1
					<b>Total</b>	<b>164</b>	<b>21</b>	<b>21</b>	<b>122</b>

Source: IFSB, as of the end of March 2008

## Sukuk Issuance by Japanese companies

- Aeon Credit Service (Malaysia)
  - UMW Toyota Capital (Malaysia) (upcoming)
- Many audience attended at Islamic Finance seminar as potential Sukuk issuers
- International regulators encouraging Japanese firms

## Islamic ETF by Daiwa Asset Management

Date of Listing	27 <sup>th</sup> May, 2008	Manager	Daiwa Asset Management (Singapore) Ltd.
Tracked Index	FTSE SHARIAH JAPAN 100 INDEX	Trustee / Custodian	DBS Trustee Limited
Trading Name	DAIWA FTSE SHARIAH JAPAN 100	Investment Advisor	Daiwa Asset Management Co. Ltd.
Trading Currency	US dollars (US\$)	Shariah Advisor	Yasaar Limited
Trading Board of Size	100 Units	Participating Dealer	Daiwa Securities SMBC (Singapore)
Distribution of Income	Annually (if any)	Market Maker	Daiwa Securities SMBC
Initial Issue Price per Unit	Approximately US \$10	Management Fee	0.75% per annum
Initial Fund Size	Approximately US\$20 million	Fund Web Site	<a href="http://www.daiwa-am.com.sg/">http://www.daiwa-am.com.sg/</a>

## *Real Estate Business*

- Arcapita (a Bahraini Islamic investment bank) established an Islamic real estate investment fund with a Singaporean developer, Capitaland in 2005
  
- Boubyan Global Real Estate Fund (of Kuwait), Atlas partners Japan, Hypo Real Estate Capital Japan collaborated for an Islamic real estate investment project.
  
- A Japanese investor has set up an Islamic fund

## *Improvement of the legal system*

- Financial Services Agency (of Japan) released, “The Plan for Strengthening the Competitiveness of Japan’s Financial and Capital Markets”, late 2007.
  - Islamic Finance is included as one of the areas that are allowed for a Bank’s subsidiary
  
  - Mainly focused on wholesale business
  
  - Expected to be released within this year(??)

## Interest in East Asia...

### ■ Hong Kong

- Chief Executive announced a policy to enhance Islamic Finance
- SFC approved Islamic funds
- Held a seminar with IFSB
- Chief Executive visited the Middle East
- HKMA and DIFC Authority signed an MOU for cooperation
- Airport Authority Hong Kong reportedly issuing Sukuk

### ■ Korea

- Bank of Korea released a report on Islamic Finance
- KEXIM reportedly planned issuing Sukuk
- Daewoo Securities entered alliance with CIMB (including Sukuk)

### ■ China?

- Power sector Sukuk???
- Islamic Banking and Finance Institute Malaysia will help Shanyang Province

## Synergy between Islamic and conventional

