



Sincerity in Shari'a Compliance?

Islamic Financial Institutions and instruments are distinguished from their conventional counterparts on the sole criteria of "Shari'a Compliance". Of course, this is comprised of many factors that distinguish Islamic finance. A question then arises "Is it important to ascertain the level of Shari'a compliance and why?". Depositors and investors choose Islamic Financial Institutions and Instruments on account of their faith and they would like to be assured of Shari'a Compliance, preferably by an independent third party. Further, it is logical that in any compliance measurement, all cannot be at the same quality level, though purporting to meet the minimum and declaring themselves to be Shari'a Compliant.

Realizing the importance of Shari'a Compliance, IIRA's Board of Shari'a scholars developed a rating methodology for Shari'a Quality Ratings. (SQR) The SQR examines in depth the procedures & practices adopted by an Islamic Institution to ensure Shari'a Compliance - not just meeting minimum requirements but also exerting efforts to achieve a higher certainty of compliance at a high level. IIRA introduced this rating methodology to encourage higher quality in Shari'a Compliance and to foster a healthy competition among the IFIs, which will contribute to the development of healthy IFIs. We also cannot ignore the recent criticism, from highly respected scholars, of the Islamic Instruments that have been offered with characteristics similar to bond issues. Perhaps this is being done to meet the dual needs of competition and the requirement of conventional rating agencies, ignoring the fact that Shari'a Compliance is more important than these compulsions. IIRA's Shari'a Quality Rating Service is clearly designed to inform the investors and depositors about the Shari'a Compliance based on assessment of several criteria that combine to make an institution achieve a higher level of Shari'a Compliance. In fact, the economic and financial ratings IIRA provides for Islamic institutions must necessarily incorporate an assessment of Shari'a compliance in order to evaluate what IFSB calls displaced commercial risk.

We expect the regulators to also benefit from SQR as a high SQR earned by an institution will provide the comfort to regulators about the Shari'a Compliance aspect of the institutions they regulate. A compulsory SQR will, in our opinion, discourage the IFIs from mimicking conventional instruments and products and encourage them to greater efforts to comply with Shari'a.



Mr. Jamal Zaidi
IIRA's CEO

IIRA Withdraws AA (SQR) Rating Assigned to Syarikat Takaful Malaysia Berhad

The Islamic International Rating Agency (IIRA) has withdrawn its AA (SQR) rating assigned to Syarikat Takaful Malaysia Berhad (Takaful Malaysia) due to non-renewal of the rating agreement.

It was noted during a recent onsite review meeting that two senior management persons from the Shari'a compliance department have resigned their positions. The Management has informed IIRA that they are finalizing the recruitment of one person.

This announcement withdraws Takaful Malaysia's right to use its rating of AA (SQR) for any purposes or in any of its disclosures.

For further information on this announcement or on any of IIRA's services, please contact Islamic International Rating Agency at +973 17211606 or fax no +973 17211605

IIRA's Presentations & Speeches

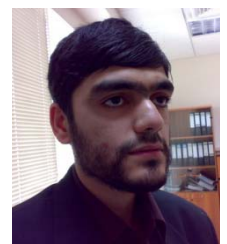
As a continuation of IIRA's strategy to generate awareness, and share the knowledge and experience, IIRA's CEO, Mr. Jamal Zaidi participated in several workshops and conferences last month. These are as following:

- Arab Banking Conference 2008, Conrad Hotel, Cairo - Egypt, 6 - 7 April 2008. He presented a paper on "Developing Islamic Financial Markets for Investors".
- The First International Conference for Islamic Sukuk, 18-19 March 2008, Diplomat Radisson Hotel, Kingdom of Bahrain. He presented a paper on "Potential Role of Credit Enhancements in Sukuk".

The materials of these presentations and speeches are available for free download at IIRA's website, www.iirating.com

Mr. Abdulaal, IIRA's Shari'a Quality Analyst, Receives CSAA Certification and Admission

The Islamic International Rating Agency (IIRA) announced on May 4, 2008 that Mr. Ali Abdulaal, IIRA's Shari'a Quality Analyst, has successfully completed Certified Shari'a Adviser and Auditor (CSAA) program and received CSAA certification and admission. The CSAA program and CSAA certification are developed and endorsed by Accounting & Auditing Organization for Islamic Financial Institutions' (AAOIFI's) Shari'a Board consisting of sixteen Shari'a scholars. Mr. Abdulaal joined IIRA in 2007 as a financial and Shari'a quality analyst. He completed Master's degree in Economic Studies at the University of Sydney in Australia in 2007.



Mr. Ali Abdulaal
IIRA's Shari'a
Quality Analyst

IIRA Hosts a Workshop on Financial Institutions Analysis



The workshop was attended by professionals from the GCC and outside

The Islamic International Rating Agency (IIRA) organized a workshop on Financial Institutions Analysis on April 14, 2008 in a local hotel. This workshop was a continuation of the series of other workshop / seminars organized by the agency in the past in line with IIRA's mission of fostering development of the financial markets. The workshop began with an introduction of IIRA and its services by its CEO – Mr. Jamal Zaidi. IIRA is a full service rating agency which provides ratings to Conventional and Islamic issues / issuers. In its brief history of approximately two years, it has achieved several milestones, including recognition by Central Bank of Bahrain as an External Credit Assessment Institution and being approved by Islamic Development Bank. IIRA has earned rating assignments from many countries which reflects on the agency's internationally growing franchise.

After the introduction of IIRA, Mr. Nasir Ali Merchant comprehensively described various aspects of analysis of financial institutions. Mr. Ali Abdulaal described the distinctions between conventional financial institutions and those offering Islamic services, on account of the risk that they face and the nature of relationship between the depositor and the bank.

These two presentations were followed by a further account of IIRA's rating methodology for Banks, presented by Mr. J.M. McMullen. The session closed with an overview by Mr. Mohammed Al Hassar of IIRA's rating process, rights and obligations of issuers and information requirements of IIRA.

The workshop was attended by a large number of participants from the GCC and outside. The participants showed keen interest in the presentations and asked a number of inquisitive questions during the presentation, as well as at the end of session, about the various aspects of analysis and about the rating agencies, their work ethics and their rating methodologies. Suggestions were also made to promote the rating culture in the region and the need of a greater role by regulators in this regard. The feedback received from the participants was positive, as they expressed a desire to attend more such workshops in the future. This workshop was sponsored by Venture Capital Bank, Bahrain Islamic Bank, Al Baraka Group and Islamic Corporation for the Development of Private Sector.

Sponsored by



Hear What Delegates Had to Say about the Workshop

"This workshop identified clearly the role of IIRA in the industry of Islamic Financial Institutions. It revealed the IIRA vision in building a rating culture among Islamic and non-Islamic financial institutions in both local and international markets"

**Samy Nathan, Professor of Accounting and Finance,
New York Institute of Technology - Bahrain**

"The format and content of the workshop was ideal for the aspiring companies who have plans to be rated. It gives an idea of what are those finer points that the analysts would be looking at and acts as preparatory tool. Also the speakers were knowledgeable, experienced and quick to respond to any related queries. Overall a good experience for veterans to remain updated and for novices to know rating firsthand"

**Chandresh H Mehta, CFA
Assistant Vice President - Strategic Planning
Albaraka Banking Group B.S.C. (ABG)**

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