



# Islamic International Rating Agency

## Corporate Profile



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#### **In the name of Allah, the Most Beneficent, the Most Merciful**

The Islamic International Rating Agency (IIRA) is the sole rating agency established to provide capital markets and the banking sector in predominantly Islamic countries with a rating spectrum that encompasses the full array of capital instruments and specialty Islamic financial products, and to enhance the level of analytical expertise in those markets.

IIRA's augmented rating system recognizes and incorporates the unique features of Islamic finance in a way that broadens the quality perspective, which is a rating agency's ultimate goal. This will facilitate to develop and deepen the capital markets in countries which IIRA wishes to serve.

IIRA is also soliciting recognition of its ratings by regulators and has received formal recognition from Central Bank of Bahrain as an External Credit Assessment Institution (ECAI). IIRA is also on the list of approved rating agencies of Islamic Development Bank.

In view of the nature of its activities, the presence of a rating agency should increase transparency in the market through its promotion of disclosure and knowledge of standards in other markets. It will enhance the investment decision process by educating investors in the use of ratings criteria and methodology utilized elsewhere.

The Islamic International Rating Agency B.S.C. (IIRA) started operations in July 2005 to facilitate development of the regional and national financial markets by delineating relative investment or credit risk, providing an assessment of the risk profile of entities and instruments. This should be an integral part of the decision process employed by institutional investors.

IIRA is sponsored by multilateral development institutions, leading banks, other financial institutions and rating agencies. Its shareholders operate from eleven countries which constitute the agency's primary marketing focus.

IIRA is structured in a way to preserve its independence. It has a Board of Directors and a completely independent Rating Committee.

#### **Technical Affiliation Agreement**

In order to further augment its technical capacity, IIRA has entered into a formal technical affiliation agreement with its two rating agency shareholders. The profile of these two agencies is given below.

**Malaysian Rating Agency Berhad (MARC), Malaysia** - is a domestic credit rating institution in Malaysia. MARC was incorporated in October 1995, commenced operations on 17 June 1996, and was officially launched on 5th September 1996 by the Deputy Prime Minister and Minister of Finance, Malaysia. Its shareholders are the major life and general insurance companies, stockbrokers and investment banks in Malaysia. Presently, the company has a paid-up capital of RM20 million.

Since commencing business in 1996, MARC has announced the ratings of corporate debt, project finance debts and structured instruments to the value of MYR220 billion. 60% of the ratings (MYR134 billion) announced by MARC over the last 14 years were sukuk programmes. This also includes domestic ratings for Ringgit-denomination debt issued by foreign entities on a domestic rating scale.

**JCR-VIS Credit Rating Co. Limited, Pakistan** - is approved by Securities & Exchange Commission of Pakistan and State Bank of Pakistan, JCR-VIS is operating as a “Full Service” rating agency providing independent rating services in Pakistan. JCR-VIS is a joint venture between Japan Credit Rating Agency, Ltd. (JCR) - Japan's premier rating agency, Vital Information Services (Pvt.) Limited (VIS) – Pakistan’s only data bank and financial research organization, Karachi Stock Exchange and Islamabad Stock Exchange. In January 2001 JCR and VIS entered into a Joint Venture Agreement whereby JCR acquired 15% share in DCR-VIS Credit Rating Co. Ltd. of Pakistan. As a result of this agreement, the name of the company changed from DCR-VIS Credit Rating Co. Ltd. to JCR-VIS Credit Rating Co. Ltd. (JCR-VIS). The DCR-VIS Credit Rating Co. Ltd. was incorporated in 1997 as a joint venture between VIS, Karachi Stock Exchange, Islamabad Stock Exchange and Duff & Phelps Credit Rating Co. (DCR). Subsequent to DCR’s merger with Fitch IBCA, DCR sold its interests in DCR-VIS to VIS.

### **Vision**

To become the ultimate reference point for credit ratings in accordance with Shari’a principles.

### **Mission**

To foster development of the financial markets.

### **Services**

#### 1) **Ratings**

IIRA provides ratings for all kind of issuers and issues. In particular, IIRA focuses on providing the following ratings

- a) *Sovereign Ratings* – This rating assesses the likelihood that sovereign/ government has the ability and willingness to fully service its financial obligations on time.
- b) *Fiduciary Rating* – This is a unique product of IIRA. The concept of a fiduciary rating is to have a methodology that captures the various dimensions of Islamic Finance Institutions(IFIs) rather than filling into traditional approach of rating. Fiduciary Rating System provides insights into both the credit rating as well as fiduciary scores.
- c) *Financial Institution Credit Rating* - This rating assesses the likelihood that a financial institution will service its financial obligations on time. Special emphasis is given to the nature of Islamic Banks and their obligations while arriving at rating conclusions.

- d) *Sukuk Ratings* – IIRA provides an opinion on the likelihood that all contractual obligations promised under the Sukuk structure will be met in time.
- e) *Shari'a Quality Ratings* – This is also a unique product of IIRA. Shari'a Quality Rating (SQR) aims to provide information and independent assessment regarding the Shari'a compliance of Islamic financial institutions or conventional institutions providing Islamic banking or financial services, as well as of Islamic financial products such as Sukuk.
- f) *Corporate Governance Ratings* – provides an independent opinion on an organization's structure and practices for managing the business. It reflects an entity's governance practices with respect to the relationships among shareholders, the board of directors, management and other stakeholders. It evaluates the extent to which they conform to regulations and global best practice.
- g) *Insurer Financial Strength Rating* – provides an assessment of the insurance company's financial strength, and its capacity to meet obligations to policyholders and other contract holders
- h) *Commercial Enterprise Rating* – This rating is aimed at all non-financial companies and the rating provides an assessment of IIRA that these companies will be able to meet their obligations in timely manner.
- i) *Commercial Real Estate Rating* – Provides an assessment of whether a particular developer will be able to deliver the project in time, within the cost and with the quality promised. The similar nature of rating can be provided under certain condition for a stand alone project.

Overtime, IIRA plans to develop other rating products that may be required by the market such as funds rating, SME ratings, Bank loan ratings etc.

- 2) **Training Workshops** – IIRA has been doing a series of training workshop in and outside Bahrain. These workshops are aimed at introducing concepts of Islamic Finance in the new markets and deepening the understanding of Islamic Finance for the existing participants in the more established Islamic Finance Centre.
- 3) **Research Reports** – IIRA has commenced its research report series. These are aimed to address specific country, industry, sector, company related issues as well as on some of the more relevant issues focusing the Islamic Finance Industry in general.

**Shareholders:**

IIRA has in its shareholding group:

**A. Multilateral Finance Institutions**

1. Islamic Development Bank (56 members, Headquarters Saudi Arabia)
2. Islamic Corporation for the Development of the Private Sector, Saudi Arabia

**B. Rating Agencies**

1. Capital Intelligence Ltd., Cyprus
2. JCR-VIS Credit Rating Co. Ltd., Pakistan
3. Malaysian Rating Corporation Berhad (MARC)

**C. Banks and Insurance Companies**

1. Kuwait Turkish Participation Bank Inc., Turkey
2. Bahrain Islamic Bank B.S.C., Bahrain
3. Arcapita Bank B.S.C., Bahrain
4. Abu Dhabi Islamic Bank, United Arab Emirates
5. Takaful Malaysia, Berhad, Malaysia
6. First Investment Company K.S.C., Kuwait
7. Pakistan Kuwait Investment Company (Pvt.) Ltd., Pakistan
8. Arab Islamic Bank, Palestine
9. Dubai Islamic Bank, United Arab Emirates
10. Bosna Bank International, Bosnia
11. Al-Baraka Banking Group, Bahrain
12. Jordan Islamic Bank, Jordan
13. Bank Islam Malaysia Berhad, Malaysia
14. Dubai Bank
15. The International Leasing and Investment Company (ILIC)
16. A.K. Bakri and Sons Holding
17. Saba Islamic Bank

**Board of Directors:**

The Board of Directors consists of:

- 1) **Mr. Ahmed Murad Hammouda** Chairman

Director, Group Internal Audit;  
Acting Director Group Risk  
Management Department,  
Islamic Development Bank

2) <b>Mr. Mohammed Bin Abdullah</b>	Vice-Chairman	Chairman, Malaysian Rating Corporation Berhad
3) <b>Dr. Salah-Adeen M. Saeed</b>	Member	GM, Credit & Risk Mgt., Bahrain Islamic Bank B.S.C.
4) <b>Ms. Taghried Amireh</b>	Member	Assistant General Manager, Arab Islamic Bank, Palestine
5) <b>Mr. Mohd. Razlan Mohammad</b>	Member	CEO, Malaysian Rating Corporation Berhad
6) <b>Mr. Abdulrahman Shehab</b>	Member	SVP-Operations and Administration, Al Baraka Banking Group
7) <b>Mr. Javed Aslam Callea</b>	Member	Advisor, JCR-VIS Credit Rating Co. Limited
8) <b>Mr. Lilian Le Falher</b>	Member	Executive Manager - Treasury, Financial Institution, DCM & Asset Management, Kuwait Finance House

### **Rating Committee**

The strength of a rating agency is reflected from the experience and depth of its rating committee. IIRA's rating committee is a blend of internal resources, rating agency shareholder's expertise and market leaders. Following is the profile of Rating Committee members;

#### 1) **Faheem Ahmed - President & CEO, JCR-VIS Founder - VIS Group**

Faheem Ahmed has diverse experience with international consulting agencies in USA & Middle East. He has also held senior positions with local industrial and financial groups. In 1994, he established Vital Information Services (Pvt.) Limited, which is a leading capital market research house. VIS has the largest data bank of corporate Pakistan. His major research work includes copyrighted F&J financial strength rankings, Musharaka Variable Income Securities and stock market indices. VIS group includes JCR-VIS Credit Rating Company Limited and News-VIS Credit Information Services (Pvt.) Limited, the first private credit bureau of Pakistan. He obtained his B.S in Civil Engineering from NED University of Engineering and Technology, Karachi. He also has Masters Degrees in Engineering and Business Administration from USA. His research work has been published in various international journals.

#### 2) **Milly Leong – Chief Rating Officer, (MARC)**

Milly Leong is the Chief Rating Officer in charge of the overall responsibility for the rating operations of MARC. Milly's career in ratings began in 1992 when she was attached to Rating Agency Malaysia Berhad. She joined MARC in 1996 as a member of its pioneer analytical team. In 2002, Milly left MARC to undertake freelance

consulting and pursue an MBA degree. She rejoined MARC in July 2005. Over the years, Milly has been instrumental in developing MARC's technical rating capability as well as developing analytical criteria, mostly for corporate debt ratings, project finance, government related-issuer ratings, financial institution and insurer financial strength ratings as well as country risk assessments. She is also overseeing the development and refinement of rating methodologies including that of Islamic rating products. Milly currently serves as a member of Association of Credit Rating Agencies in Asia's (ACRAA) Best Practice Committee. She is a member of the Australian Society of CPAs and holds a Bachelor of Economics (Accounting) degree from Monash University, Clayton, Australia and an MBA degree from Deakin University, Australia.

3) **Sabeen Saleem, CFA, Chief Rating Officer (JCR-VIS)**

Sabeen Saleem is the Chief Rating Officer of JCR-VIS, by virtue of which position she is in charge of rating administration and rating assignments across a range of sectors. Her scope of work includes supervision of financial analysis being conducted by a team of analysts, coordination with clients and regulators, research activities, and staff training. She had been a speaker at seminars and conferences both locally and internationally. She has a Master's degree in Business Administration from the Institute of Business Administration, Karachi and is also a CFA charter holder.

4) **Mr Hafizan Haron, Vice President Ratings (MARC)**

Mr. Hafizan Haroon is the Vice President of Ratings at Malaysian Rating Corporation (MARC) responsible for ratings research, including updating rating methodologies and reviewing MARC's internal rating process, assisting in developing new rating products and contributing regularly towards various publications to create awareness of MARC's role and achievements in Islamic capital markets as well as its Sukuk rating methodology. Hafizan has an instrumental role in the development of MARC's recently launched Islamic Financial Institution Governance Rating product. He previously headed a rating portfolio of corporate debts covering the automotive, transportation, oil and gas, plantations and industrial products (including timber and pulp & paper) sectors for four years in MARC before assuming his current role in 2009. Prior to joining MARC in 2000, Hafizan was attached to a local merchant bank for about four years in the Corporate Finance and Corporate Banking functions. Hafizan holds a Bachelor of Science (Hon) Degree in Economics from the University of Hull, United Kingdom.

5) **Sheikh Esam Mohamed Ishaq – External Member and Shari'a Scholar**

Sheikh Esam Mohamed Ishaq graduated from McGill University, Montreal, Canada in 1983. He studied Shari'a in a various study circles in the traditional manner in various Masjids with different scholars and teachers. He is currently an instructor in Fiqh (Islamic Jurisprudence), Aqeeda (Islamic Technology) and Tafseer (Quranic Exegesis). He also conducts different courses in various Islamic centers and Masjids under the supervision of the Ministry of Islamic Affairs in Bahrain. Sheikh Ishaq is a member of many societies and Shari'a Boards. To name a few, he is currently a director and Shari'a advisor of Discovery Islam, Bahrain; chairman of Shari'

Supervisory Boards of Seera Investment Bank (Formerly known as United International Bank), & Investment Dar Bank, Bahrain; chairman of Shari'a Supervisory Board of EcoBank, Kyrgyz Republic; chairman of Shari'a Supervisory Board of First Global Investments, Sri Lanka; member of Shari'a Supervisory Board of Arcapita Bank, Al Baraka Islamic Bank, & First Investment Bank, Bahrain; member of Shari'a Supervisory Board of Gulf African Bank, Kenya; member of Shari'a Supervisory Board of Al-Hilal Islamic Bank, U.A.E.; member of Shari'a Supervisory Board MunicheRe and ReTakaful, Malaysia; and a member of Auditing and Accounting Board of AAOIFI (Auditing and Accounting Organization of Islamic Financial Institutions), Kingdom of Bahrain.

6) **Mr. Adel Mannai – External Member**

Mr. Adel Al Mannai has been associated with IIRA since 2007 as an external member of the rating committee. He has a 23 year banking and finance career with a number of well established and renowned financial institutions. Currently he is the Deputy General Manager of the Bahrain office of the Arab Investment Company. Before that he was associated with Investors Bank, Shamil Bank, Khaleej Finance and Investment Company, Mashreq Bank, ABN AMRO Bank, Arla Bank International and Al Bahrain Arab African Bank. He has an MBA from University of Glamorgan Wales U.K. and has attended numerous workshops and training programs during his professional career.

7) **Mr. Nasir Ali Merchant – CFA, Acting CEO, IIRA**

His profile can be seen under the management team.

**Management**

IIRA's management comprises of the following:

• **Mr. Nasir Ali Merchant – Acting, CEO**

Mr. Nasir Ali Merchant joined IIRA as Vice President in the last quarter of 2007 and is currently the Acting CEO. He has experience of more than 12 years, having worked for globally renowned financial institutions like ABN AMRO, Bank of America and HSBC in Karachi and regional financial powerhouse like United Bank Limited and Emirates Bank International in UAE. His experience involves work in areas like financial institutions, operations, SME banking and corporate banking. He has good knowledge about the regional economies and their dynamics.

Nasir has a distinguished academic career having completed his Chartered Financial Analyst (CFA) in 2001. Before that he has done his MBA Finance from Institute of Business Administration, Karachi, Pakistan. He has completed many levels of his academic career with distinction and honors.

• **Mr. Redha Al Ansari – Financial Analyst**

Mr. Redha Al Ansari joined IIRA as Financial Analyst in September of 2009. He is looking after rating for Financial Institutions and Sovereigns. Prior to his appointment in IIRA, he was working for Arab Bank PLC which is one of the largest banks in the Middle East as Credit Analyst for 3 years. His work experience involves work in

areas such as credit review, administration and operations as well as NPL accounts. Redha has completed his Master of Business Administration (MBA) degree from New York Institute of Technology in May 2009. Before that he graduated from University of Louisiana at Lafayette, USA in 2006 with a bachelor's degree in Finance. Currently, he is preparing for CFA exam. He has also attended several advance courses on Risk Management and Financial Statement Analysis.