Malaysia as a Global Hub for Fund Administration
By Justin Ong
Asia Pacific Asset & Wealth Management Leader, PwC

Financial Innovation and Riding the Fintech wave
By Dr Ziyaad Mahomed & Professor Shamsher Mohamad
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9. THE 2016 CIAWM SCHOLARSHIP AWARDS
It gives me great pleasure to pen a few words in the 2016 Bulletin of the BNP Paribas–INCEIF Centre for Islamic Asset and Wealth Management (CIAWM). 2016 is the Centre’s fourth year of operation, yet it has conducted events with significant impact in terms of ideas and research by students, bulletins, workshops, roundtables and talks. One of the most important contributions of the Centre was a public lecture on a very pertinent topic: “Malaysia as the Global Hub for Fund Administration: Potential and Challenges” that was held on 25th May 2016. The Public Lecture was a preamble to a more substantive event that will be held in May 2017. A special research project is underway, beginning with a survey of the relevant industry players to further expound on what it would take for Malaysia to position itself as a global hub for fund administration. The project will also attempt to identify the gaps it will have to fill so that a blueprint can be developed for Malaysia to achieve this objective.

I must thank BNP Paribas for continuing to support the Centre for the next three years. The output of the Centre has shown that the preceding years have been very beneficial to the asset and wealth management industry. A word of thanks also goes to Prof Shamsheer, the Director and Assoc Prof Eskandar, the Deputy Director and their team for a very fruitful 2016. I foresee 2017 as a very interesting yet challenging year for the Centre and I wish the team all the best.

Thank you

Prof Datuk Dr Syed Othman Alhabshi
Chairman,
BNP Paribas–INCEIF
Centre for Islamic Asset and Wealth Management
Advisory Board
The BNP Paribas–INCEIF Centre for Islamic Wealth Management (CIWM) was established at INCEIF in January 2013 to facilitate research on the various aspects of Islamic Wealth Management, and to share experience and knowledge with the industry through public forums. All the activities initiated by the Centre are in consonance with the Malaysian government’s agenda to chart the future of the Islamic finance industry and sustain our reputation as a global hub for Islamic finance. Pertinently, this Centre is established at INCEIF, the global reference point for thought leadership in Islamic Finance. To accommodate a wider perspective of the activities initiated by the Centre in fulfilling its responsibilities, the main sponsors of the Centre, BNP Paribas initiated a name change, to BNP Paribas–INCEIF Centre of Islamic Asset and Wealth Management (CIAWM) in January 2016.

Since inception, the Centre has organized seven public forums on various aspects of Islamic Wealth Management, sponsored research projects from INCEIF faculty and PhD students, offered scholarships annually for deserving PhD students, completed two industry booklets and two CIAWM bulletins to highlight the activities over the years. The first booklet on Socially Responsible Investments (SRIs) & Islamic Investment Funds was published in 2015, and the second booklet on Malaysia as a Global Hub for Fund Administration was published in 2016. The contents of these booklets were carefully crafted with the industry, for the industry and also for academics alike.

The inaugural CIAWM bulletin published in 2015 covered all the major activities for the years 2013-2015, and this year’s bulletin covers the activities in 2016. With the Grace of the Almighty, the Centre reached a significant milestone this year, in completing a book on Islamic Wealth Management: Theory and Practice. It has 22 chapters covering all aspects of Islamic Asset and Wealth Management. Chapter contributions came from both the academia and the industry. It is currently under the due process of Edward Elgar (EE) Publishers (UK), and is expected to be on the shelves by the end of the year. Two BNP Paribas Scholars (Dr Ziyaad Mahomed and Dr Wajahat Azmi) have graduated in 2016. Their research output has been presented at international conferences and their papers submitted to reputable international mainstream finance journals. This reflects the benchmark quality of PhD research at INCEIF, under the tutelage of experienced professors.

For 2017, the Centre will continue the focus on the theme of Global Fund Administration, in support of the government’s initiative gazetted in the Islamic Finance Master plan, prepared by the Securities Commission (SC). An opinion survey will be conducted, of fund administrators at leading financial centres around the globe, to get their view of what it will take for Malaysia to become a global hub for administration. Two round-table discussions, one with the industry (local and foreign fund managers and administrators) and the other with regulators (SC, Bank Negara Malaysia (BNM)) are planned for January/February 2017, followed by a thematic workshop on the topic in May, 2017. The output of all these activities will be documented in a booklet as a guide or blueprint for the Fund Management Industry including regulators.

I take this opportunity to thank INCEIF and BNP Paribas for their support. This message will not be complete without a special mention of appreciation for the Chairman of the Advisory Board of the Centre, Professor Datuk Dr Syed Othman Alhabshi and the Deputy Director, Assoc. Prof. Dr Eskandar Abdul Rasid for their dedication and undivided commitment in successfully facilitating all the activities initiated by the Centre. My special thanks to Dr Ziyaad Mahomed, Dr Wajahat Azmi and all the members of the INCEIF staff that have contributed significantly towards the success of the Centre. I look forward to your continuous support.

Prof. Dr. Shamsher Mohamad
Ramadilli Mohd
Director,
BNP Paribas–INCEIF
Centre for Islamic Wealth Management
BSc (UPM), MBA (Leuven), PhD (Glasgow)
Forum on
Malaysia as the Global Hub for Fund Administration
-Potential and Challenges
Event Description
The event had 4 lectures from industry experts on issues surrounding the areas of Fund Administration. The participants were from various backgrounds: academic, asset managers, legal practitioners and bankers among others. The topics covered were Shariah Based savings (Simpanan Shariah), Islamic Fund Services, Developing Fund Administration and on what it takes for Malaysia to become a global centre for Fund Administration. The event took place on 25th May 2016 at Sasana Kijang.

Speakers
The four invited speakers were: Datuk Shahril Ridza Ridzuan, CEO of Employees Provident Fund, Mr Remi Touchebeouf, Head of Product Management, Asset and Fund Services Asia, BNP Paribas Securities Services, Mr Zainal Izlan Zainal Abidin, Executive Director of Islamic Capital Market from Securities Commission, and Mr Justin Ong, Asia-Pacific Private Banking and Asset Management Leader from PricewaterhouseCoopers, Singapore. Media: Bernama
The Next Frontier. Giving the perspective from a private sector, highlighting the growth of Islamic Fund Service. Among the topics discussed were fund accounting, the critical nature of today’s funds environment, benefits and opportunities of Islamic funds and Malaysia as a global hub for Shariah investments, among others.

He introduced to the participants the features of the new Shariah scheme initiated by EPF to fulfil the increase in demand for Islamic investments. He presented the details highlighting the implications of Simpanan Shariah not only on Malaysia but also to the global finance industry. His lecture was well received by the audience mainly with Q&A on the risk involved, expected outcome of Simpanan Shariah, research team involved and other details related to this new initiative by EPF.

Creating a World Class Fund Administration Centre. This lecture enlightened the audience on the current state of the fund industry today and how fund administration would be perceived in terms of its success. He shared tips on how to become a successful fund administration hub and what needs to be done to make Malaysia a world class fund administration centre.

Event Summary
This forum was organised by INCEIF – BNP Paribas Centre for Islamic Asset and Wealth Management (CIAWM) to share knowledge with the industry on the potential and challenges for Malaysia to be the global hub for Fund Administration. The event started at 9.00am with the opening remarks by Dato’ Abdullah Mat Noh, Chairman of BNP Paribas Malaysia and Dr Rozali Mohamad Ali, Pro-Chancellor of INCEIF.

This event attracted a total of 124 participants from various backgrounds both from the industry and the academia.
Bank Competition and Stability in Dual-Banking Systems

By: Moutaz Abojeib (CIAWM PhD Scholar)
Numerous attempts have been made to discover the effect of competition on banking stability, before and after the recent global financial crisis. Despite the rich theoretical and empirical literature on the topic, two contradictory views are observed; the competition-fragility view and the competition-stability view. On one hand, the former view argues that higher competition leads to more pressure on profits and hence induces banks’ management to take higher risk strategies. On the other, the supporters of the competition-stability hypothesis argue that banks in more competitive markets tend to charge lower rates, which reduces the entrepreneurs’ cost of borrowing and increases the success rate of entrepreneurs’ investments. Consequently, banks will face lower credit risk on their loan portfolio in more competitive markets, which should lead to more stability.

Nevertheless, the most recent studies show that the impact of an increase in competition can go either way, depending on the existing intensity of competition and other factors (Martinez-miera & Repullo, 2010). Moreover, Jeon & Lim (2013) in their study of the Korean banking market found evidence that bank competition has a positive effect on the stability of saving banks (supporting competition-stability view), while competition pressure significantly reduces the stability of commercial banks (supporting competition-fragility view). In fact, this suggests that the competition-stability nexus differs according to the type of bank, which highlights the importance of investigating the competition-stability relationship for the Islamic and conventional banks in a dual banking system.

Motivation: Why competition-stability among Islamic banks could be different?

Islamic Banking has been growing rapidly in the last two decades. Islamic banking assets with commercial banks globally crossed US$1.7 trillion in 2013 suggesting an annual growth of 17.6% for the previous four years (Ernst & Young, 2013). Hence, it is not surprising that the Islamic Banking sector has become a benchmark to develop the financial sector in many countries. Islamic banks have to face competition from conventional banks as the market segregates them only to a certain extent (Turk-Ariss, 2010a). Therefore, Islamic banks are working under different levels of competition as compared with conventional banks. Furthermore, the Shariah-compliant nature of Islamic banks’ products implies a different business model than the conventional banks, which makes it unclear if the competition among Islamic banks brings in more stability or fragility.

There is no documented evidence, so far, on the impact of competition on the stability of the Islamic banks. This study fills the gap by looking into this relationship for Islamic and conventional banks in the dual banking systems to allow for comparative analysis.

In line with the set objectives, a sample of Islamic banks were selected in six countries where Islamic and conventional banks coexist. The table below explains that the share of the Islamic banking sector is significant in these countries (exceeds 20% of the local banking sector and where the total Islamic banking asset size covers almost 80% of the global Islamic banking asset size).

Our Sample:

<table>
<thead>
<tr>
<th>Country</th>
<th>Islamic banking Asset share of local banking market, 2013</th>
<th>Islamic banking Asset share of global Islamic Banking Asset size, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi</td>
<td>48.9%</td>
<td>78.7%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>20.7%</td>
<td>16.4%</td>
</tr>
<tr>
<td>UAE</td>
<td>21.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>44.6%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Qatar</td>
<td>23.6%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>27.7%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Applying advanced econometrics techniques, a nonlinear relationship between market power and stability is documented. The market power effect is initially positive on stability, but the effect turns negative as soon as banks’ market power exceeds a certain limit.

A possible reason for this behavior: When banks have market power, the bank’s charter value increases. This motivates the management to be more careful in the credit analysis process and investment choices (Charter Value channel). In addition, the increasing market power probably helps the bank to have higher returns and hence higher buffers against losses (Margin risk-effect channel). Nonetheless, when banks’
market power exceeds a certain limit, it activates the “too-important-to-fail” behavior which is itself a moral hazard (Moral Hazard channel). The moral hazard contention postulates that when a bank has a significant market power, the bank’s failure becomes more crucial for the economy, and the government would not allow such failure in the interest of the banking system and the economy in the country. Consequently, the bank will probably receive, (or expect to receive), direct and indirect support from the regulators including the government and the central bank. The bank’s management recognizes this and exploit these protective policies by taking high-risk-high-return investment choices. Eventually, banks would face higher risk with increasing market power. Initially, this negative effect of market power on stability would be smaller than the positive impact of the market power by the Charter Value channel and Margin risk-effect channel. Nevertheless, increasing market power above a certain level would make the negative impact of the Moral Hazard channel on bank stability neutralize and eventually dominate the positive affect of the Charter Value channel and Margin risk-effect channels.

The below figure represents the mentioned positive and negative channels:

Consistent with the findings mentioned above, it was observed that more concentrated markets induce a negative impact of the market power on stability. In other words, having high market power for banks in concentrated markets results in higher negative impact on stability than the case if the bank is operating in a less concentrated market. The intuition behind this is that having few large banks in concentrated markets induces the negative impact of “too-important-to-fail” where banks’ managers would be less careful about the risk when they have high market power.

The findings suggest that policy makers should provide the infrastructure for a more competitive (from both domestic and foreign banks) market, such that no individual banks in these markets would have significant market power. A moderate market power for individual banks enhances banking stability. It would be advisable to set up a supervisory mechanism to monitor banks that have a tendency to have a dominant market power, or if there are such banks already in the system, to oversee their risk-taking behavior to mitigate the moral hazard risk that could contribute towards instability of the banking system.
Disruptors
Financial Innovation and riding the Fintech Wave
By: Dr Ziyaad Mahomed & Professor Shamsher Mohamad
Recent success in the technology sector has witnessed the transformation of start-up companies with relatively small or no seed capital into billion-dollar companies within a very short-space of time. The application of technology in the financial sector has ‘disrupted’ the traditional ‘brick-and-mortar’ style distribution channels and if not embraced would cause the current financial sector to lose a substantial (estimated between 20 to 40%) portion of their businesses to the firms using ‘fintech’.

Fintech or financial technology is the application of technology in the financial product ecosystem. This includes financial product administration, vetting, marketing, distribution and supervision. The tremendous speed of fintech development in recent years can be attributed to the advent of new technological applications, faster processing and immense storage capabilities.

Fintech start-ups have increased exponentially since the global financial crisis. In 2015 alone, US$14.5 billion of venture capital was invested into the sector. This translates to a 200% increase year-on-year, from 2013 to 2015. Researchers attribute the recent meteoric rise of fintech startups and the supporting equity contributions as a response to the financial crisis. They note that the 2008 Global Financial Crisis possibly acted as a catalyst to the growth of a new digital era in financial services. The wealth management industry has now ventured into the post-crisis digital revolution with lower transactional costs, challenging physical advisory functions and effectively disrupting the traditional investment distribution channels. Firms that embrace the technology as a solution rather than competition, are expected to be successful in riding the fintech wave and surviving in the digital era.

The Fintech Ecosystem

The most recent drive towards technologically-powered financial services has effected change in five broad segments.

1. Banking and Lending
   Traditional banking requires strategic adaptation to deal with fintech developments. Two specific issues impact traditional banking activity when considering fintech disruptors: an alternate banking strategy and peer-to-peer (P2P) lending.

   a. Adapting banking strategy to deal with disruption
      Traditional lending is quickly transforming into online distribution channels as banks are gearing up to challenge new fintech start-ups. It is estimated that between 30 and 80% of branch utilization will be reduced in the coming decade. This will decrease more expensive over-the-counter transactions and shift even more transactions to virtual digital platforms. In order to remain competitive, banks have adopted new product solutions that utilize virtual channels and mobile or online delivery. ‘Digital readiness’ or IT capacity for adopting new technological platforms become crucial to traditional bank survival in the near future. As software becomes more open-source, programming units have opportunity to mold them to suit specific sector needs.

   b. P2P Lending
      The process of P2P lending allows interested parties to lend to each other on mutually agreed terms over an online platform. The rapid growth of the application extends beyond the innovative use of technology. Fintech platforms provide customers with a seamless experience that is focused on an objective evaluation through an easily accessible interface. P2P lending in the Asian region is at a nascent stage. However, P2P start-ups - Lufax and Jimubox in China - have already achieved in excess of US$1 billion in valuations. Milne
and Parboteeah (2016) list four categories of advantages that P2P lending offers over traditional bank lending:

i. Higher returns than bank deposits for lenders, with low fees
ii. Easier access to financing
iii. Perceived higher ethical contribution of P2P
iv. Rapid technological innovation.

2. Payment and Fund transfer
Accessibility to mobile and smart phones have driven change in the payment and fund transfer sector, by enabling vendor payment gateways to recognize them through free downloadable applications. Using concepts like digital wallets where online details to accounts are stored, or simply transferring airtime to a vendor as an instant payment reduces the role of traditional banks even further. These services and apps have brought along new risks in security, although customer-demand for convenience and accessibility has forced providers to enhance security protection whilst improving the overall customer experience.

3. Investment and Wealth Management

a. Crowdfunding
Digital crowdfunding platforms can be traced back to informal micro-finance ventures that attract small equity contributions for an entrepreneurial activity.

In 2009, the launch of an online platform (Kickstarter) provided an opportunity for many small investors with ambitions of owning equity in the next Microsoft or Google venture to participate in potentially the ‘next big thing’. Entrepreneurs that could not or did not want to access traditional bank funding, now have an alternative capital-raising method.

b. Robo-Advisors and Wealth Management
Investors have always sought the advice of professional financial advisors for the placement of their funds. Whilst the investor’s objective of minimizing risk for maximum return has not changed, the delivery of financial advice is being revolutionized through a digital platform: either a fully automated ‘robo-advisor’ or a technology-assisted advisory service. They aim to offer a unique client experience: through a series of questions, the program (robo-advisor) determines an investor risk profile and recommends a portfolio based on the type of securities expected. Future wealth management solutions will be more sophisticated and more cost-efficient than traditional methods.

4. Insurance
A recent PwC survey on fintech application in the insurance sector indicated that self-directed service is the most notable trend in the near future. Although most of the larger insurance companies provide online quotes and claims, the user experience is not always as efficient as the customer expects. Sophisticated digital channels with smartphone capabilities will provide more customer-centric solutions with the objectives of speed, accuracy, understanding of unique cases and post-transaction support. Whilst human intervention is not expected to cease, the existing insurance market will be significantly enhanced with the new solutions.
5. Blockchain technology
At the beginning of 2009, blockchain technology was used to create a cryptocurrency by an anonymous developer, famously known as ‘Bitcoin’. By 2016, the market capitalization of approximately 600 cryptocurrencies were monitored, although Bitcoin remains the most dominant. For a digital currency to exist, its credibility cannot be compromised. Therefore, a decentralized or shared database of ‘tokens’ must be stored such that none can be replicated but rather transferred and owned.

Blockchain technology is being applied to more solutions both in the corporate and government sector. The UK government, for example, has recently approved a blockchain provider for public sector organizations, introducing distributed ledger technology (DLT) to everything from health services to financial regulation.

“Malaysia is well-poised to benefit from the fintech wave as it has already introduced regulation for P2P and crowdfunding”

Islamic Wealth Management and Fintech
Malaysian initiative
The Islamic finance sector has been growing at a steady rate globally, although many countries are yet to offer a full product suite to their customers. Malaysia however, is established as a pioneer in the field of Islamic finance since the 1960’s (Tabung Haji). Another milestone for Malaysia was the introduction of the first Islamic interbank investment platform (IAP) in 2015. The IAP was developed with the vision to allow cross-border investment and funding through a multi-currency channel that will eventually link with global markets. Individual, corporate and institutional investors channel investment funds through Islamic banks (due diligence and finance customer assessment filtering) to provide financing to approved customers that apply online. The investment platform is the first Islamic fintech solution offered by a consortium of six Islamic banks, indicating the willingness for Malaysian Islamic banks to embrace the fintech revolution and ride the wave.

The Securities Commission (SC) of Malaysia, under an initiative known as the Alliance of Fintech Community or ‘afFINity@SC’, has also been active in preparing regulation that will allow for fintech solutions to operate more seamlessly in the country. The initiative includes:

i. Creating awareness and catalyzing innovative fintech solutions
ii. Forming clusters to organize and nurture a wider fintech ecosystem, and
iii. Providing policy and regulatory clarity that is conducive for innovation.

The objective of the framework, is to enable a variety of company forms to participate and access market-based funding through a digital platform. In September 2016, the SC confirmed that selected and approved P2P entities will be announced within a few months, with six registered equity crowdfunding platforms that have already begun fundraising. The Equity Crowdfunding/P2P financing framework was issued in early 2016.

Malaysia is well-poised to benefit from the fintech wave as it has already introduced regulation for P2P and crowdfunding. Most recent regulation ensures that product testing is conducted in a controlled environment with sufficient monitoring and supervision, before going to market. These strategic initiatives will serve to enhance customer confidence and attract more players into the Malaysian market.
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Do Sukuk Credit Ratings create a Value Effect?

By: Mahmoud AlHomsi
(CIAWM PhD Scholar)
The Islamic finance industry has shown an extraordinary accomplishment in the last decade. A major contributor to this success can be attributed to a significant increase in sukuk issuance: from US$ 1.172 million in 2001 to US$ 138 billion in 2013. Malaysia is the world’s largest sukuk market with about US$ 430.579 billion of the total US$ 551.357 billion of domestic sukuk in the financial world, a whopping 78.09% of the total global domestic sukuk market. This significant development has necessitated the need for an effective credit rating mechanism for the Sukuk issuance. Credit rating has become an important instrument to assess the creditworthiness of an issuer, most often based on the history of the issuer’s borrowing and repayment, its underlying assets, its outstanding liabilities and its overall business performance (Arundina, Azmi Omar, & Kartiwi, 2015). Credit rating agencies play an important certification role in the capital market by verifying the credit worthiness of issuing firms, thereby facilitating investors’ investment decisions. The rating agencies usually conduct fundamental analysis to estimate the chances of default by the issuer in the near future, and a rating is assigned that reflects the probability of default. The rating is not a one-off affair but a continuous exercise to chart the possible drift in creditworthiness over the tenure of the bond/sukuk in fulfilling their obligation. For example, a rating of ‘AAA’ indicates that the creditworthiness is good and the chance of default is small. Conversely, a D rating indicates that a bond/sukuk issuer has extremely poor prospects with a higher probability of default. It is expected that investors will react adversely to announcements of downgrades in bond ratings. However, the issue of interest is how would the market react to Sukuk rating announcements? Not much has been documented on this specific issue, except for the negative market reaction to Sukuk announcements in Malaysia (Godlewski, Turk-ariss, & Weill, 2013). The probable rationale for this negative reaction is that the investors perceive the issuing firm as weak and issue Sukuk as a last resort due to its inability to issue conventional bonds.

Prior studies in the developed countries on issuance announcements of conventional bonds have indicated that financial information is a major determinant by the rating agencies in evaluating a firm’s ability to meet its future obligations. However, a firm’s financial information and reports could be subject to management’s creativity (i.e. Income smoothing) especially when they act opportunistically in their self-interest. Therefore, accounting variables alone are inadequate to explain a firm’s fundamentals and thus its creditworthiness. The worldwide corporation scandals e.g. Enron, WorldCom, Lehman Brothers and the Malaysian Transmile Group are examples of this creativity and its consequences. The implementation of effective corporate governance mechanisms that promote financial reporting transparency and effective monitoring on managerial decision could mitigate management opportunistic behaviors and provide reliable financial information, which ultimately lead to higher credit ratings (Bhojraj and Sengupta, 2003; Ashbaugh et al., 2006; Alali et al, 2012; Ling et al, 2013; Aman and Nguyen, 2013).

The issuing firm’s performance and creditworthiness and therefore default probability is also sensitive to macroeconomic factors such as the inflation and interest rates volatility. However, the literature also indicates that the macroeconomic factors have greater impact on sovereign Sukuk compared to corporate Sukuk rating (Ferri et al., 2001). They documented that since sovereign downgrading and firm downgrading are highly correlated in developing countries, it implies that factors of sovereign rating have a dual impact on corporate rating.

**Motivation**

The likelihood of default is the most important factor in the assessment of creditworthiness of issuers. In the Malaysian Sukuk market there are at least 36 cases of corporate Sukuk defaults by 33 issuers from 1990 to 2012, with the defaulted value estimated at RM 6.848 billion (Kamarudin et al., 2014). The defaults and potential defaults of Sukuk were not caused by the fact that they are Islamic financial products or because of faulty structures, but rather the deteriorating creditworthiness of the Sukuk issuing companies. Evidence on the factors that may affect the creditworthiness of the issuer could enhance the role of rating agencies in facilitating them to provide a more objective and realistic assessment which could mitigate default cases. Reducing the default cases will boost investor-confidence in the markets and enhance the reputation of the credit rating agency “Reducing the default cases will boost investor-confidence in the markets and enhance the reputation of the credit rating agency”
To date, there is no published evidence of the determinants and sensitivity of sukuk credit rating in an emerging market like Malaysia, that hosts more than 80 percent of the Sukuk issued globally. This research highlights the firm financial characteristics, corporate governance attributes and macroeconomic factors, during the pre- and post-Shariah governance reform period (Shariah governance was reformed in 2011) as possible determinants of credit rating. The selection of the shariah governance reform period was to ascertain the effect of change in shariah governance regulations on the credibility of sukuk credit rating. These determinants affect rating change and therefore the value of the firm, as reflected in the firm’s stock price change.

**Dataset and Sample**

Information on rating of all corporate Sukuk issued in Malaysia during 2009 to 2014 were sourced from the Bond Pricing Agency Malaysia (BPA). The ratings range from AAA i.e. highest rating to D i.e. lowest rating. For the analysis, the multiple ratings were collapsed into seven categories, with category 1 being the worst and 7 being the best. The financial information and corporate governance attributes were collected from annual reports for listed companies and audited financial statements for unlisted companies. Information on the macroeconomic factors was collected from World Bank database. The information related to stock prices and indices were sourced from Datastream and Bursa Malaysia. The final sample includes 175 corporate issuers with 328 sukuk issuances and 1110 rating announcements.

**Main Findings**

The results indicate that both firm financial characteristics and corporate governance attributes have an effect on Sukuk credit rating. More specifically, firm size, return on assets, board size, independency and number of non-executive directors on the board have a significant positive effect on sukuk credit rating. Conversely, the CEO duality has a significant negative effect on sukuk credit rating. Neither ownership structure nor quality of financial reporting had any significant effect. In contrary to expectations, the macro-economic factors showed no effect on Sukuk rating announcements. Though not directly comparable, this evidence is inconsistent with literature on the bond market (Matthies, 2013; Rimpa & Arunkumar, 2014).

The findings suggest that the type of contract had an effect on the Sukuk credit rating, where the issuance of equity based Sukuk had a positive effect and debt based Sukuk, a negative effect. The negative effect of debt based Sukuk increased noticeably after the Shariah governance reform period. Finally, rating change had a significant impact on stock prices of Malaysian companies’ that issue bonds. This impact is significantly high for rating downgrades and less significant for upgrades. This is consistent with the behaviour of most investors that are more sensitive to losses than to gains.

**Implications**

It was observed that whilst most local rating agencies provide “A” class ratings for issuers, global rating agencies had lower rating grades for the same issuer. This discrepancy might be politically motivated and could affect investor’s trust (and thus their reputation) in Malaysian Sukuk rating agencies. It is possible that the emphasis on macroeconomic factors by foreign rating agencies could be the reason for the difference in rating, although this research showed no significant macroeconomic impact on sukuk credit rating.

Even though there were governance reforms in Malaysia, the findings indicate no significant impact of the reforms on credit rating. Probably more time is required for the reforms to take effect. Board independency has positive effects on credit rating, and this is possibly due to Bursa Malaysia’s requirements that at least 1/3 of the board must be independent. Other governance attributes are only recommendations of the best practices without specifying percentage or minimum requirements. The point is that the policy makers should develop a code of governance with clear specific requirements for issuing companies to comply with. However, rating agencies claimed that their rating is Shariah neutral and the Shariah governance framework should facilitate the various Sukuk structure preferences for some type of structures (debt or equity based) which might have implications on the Sukuk credit rating.

Issuers should take into consideration both financial and governance factors when they intend to issue Sukuk. In addition, they should be aware of the type of structure used as debt based sukuk are more likely to have a lower credit rating. Finally, investors must not only be aware of credit ratings when they intend investing in specific Sukuk, but also monitor the ratings for any unexpected changes (upgrade or downgrade) as this reflects the change in the quality of the issuer’s creditworthiness.

![Figure (1) The associated effect of independent variables on Sukuk credit Rating](image-url)
Malaysia as a Global Hub for Fund Administration

By: Justin Ong, Asia Pacific Asset & Wealth Management Leader, PwC
The State of the Industry Today

The asset management industry continues to face headwinds in today’s volatile environment, and industry players face many challenges in seeking growth, containing costs and creating new avenues of business. According to the PwC 19th Global Asset Management CEO Survey 2016, only 30% of global asset management (AM) CEOs expect global economic growth to improve. Despite the gloomy outlook, global AM CEOs have greater confidence in their own company’s prospects for revenue growth over the next 12 months.

Overall, the outlook for the future remains bright: PwC’s Asset Management 2020 report projects that global assets under management will exceed US$100 trillion by 2020, up from slightly under US$65 trillion in 2012. A large part of this growth will be led by Asia as part of the SAAAME region (i.e. South America, Africa, Asia and Middle East).

Based on another PwC survey on Asian AM Chief Operating Officers in 2015, asset managers are already exploring more outsourcing options, driven by the need to manage costs, reviewing investment priorities and releasing capacity from non-core functions.

From a fund administration perspective, this has immense implications, as well as opportunities. As assets under management grow in Asia, asset managers in this region will look to outsource more non-core activities and increase investment in new technology. Regulators and investors are also demanding more information, better transparency and faster reporting response times adding to the pressure on in-house fund administration.

Fund Administration Centres (FAC) –What Does Success Look Like?

Many jurisdictions are competing to be FACs, including Luxembourg, Dublin, Singapore, Hong Kong and Cayman Islands. As an attractive proposition, fund administration is part of an indelible asset management ecosystem that includes custodians, lawyers, accountants and asset managers. However, success in this field is dependent on each jurisdiction’s key strengths and competitive advantage. Furthermore, successful FACs aren’t necessarily where the portfolio managers are based. A strong legal, tax and audit ecosystem is critical for future-proofing the hub status.

A number of trends and developments in Asian asset management are also changing the operational landscape, creating increasing competition and margin pressures for asset managers. This includes the faster adoption of disruptive technology, the rising need to upscale operational infrastructure, on-shoring and creating substantive presence to penetrate domestic growth opportunities, and ambitions to grow regionally and globally.
Successful FACs require the infrastructure, talent and regulatory environment to be able to cater for diversified asset classes, segregated mandates for institutional clients and regulatory & tax reporting amongst others. In addition, thriving FACs would require recognition as a fund domicile – which necessitates a robust investment fund structure for increased investor confidence and security. Most established fund jurisdictions have dedicated investment fund structures of varying characteristics to fit investor needs. More recently, Singapore, Hong Kong and Australia have each announced the introduction of their own domestic open-ended investment company vehicle (OEIC) or corporate-form funds to allow global investors to domicile their fund ranges in-country.

Malaysia – What Will It Take?
Over the past decade, Southeast Asia has become an area of interest for many investment houses. The widening of the middle income class, outstanding talent and abundant natural resources have contributed to this growth. Over the past year, the Malaysian capital market has also played a pivotal role by providing access to capital and value creation. That, coupled with its economic success, makes for a healthy asset management marketplace.

Malaysia is also credited with its introduction of strategic policy measures that have led to the growth of its capital markets. Some of the notable ones are: comprehensive revamp of the exchange board structure and equity fundraising framework in 2009; amendment to IPO rules; listing of foreign-owned corporations and special purpose acquisition companies; Business Trusts; and tax incentives to venture capital investing.

The Malaysian government has played an instrumental role in Islamic finance’s rapid expansion in the country, including taking steps to establish forward-looking market infrastructure, institutions, and regulatory frameworks. Malaysia is also among the first countries to revise its tax regime to ensure tax neutrality for Islamic financial instruments. In addition, the Malaysian government provides tax exemption of Islamic banks and Islamic insurance companies, tax deduction on issuance costs of Islamic

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securities, and tax relief for Islamic REITs. Malaysia also has tax exemptions specifically for international Islamic banks, Islamic insurance companies, and Islamic funds.

Looking at the key components within a successful fund domicile, how does Malaysia fare in each of the key components?

**Malaysia’s Proposition Today for Asset Management and Fund Administration**

**Asset Managers** - The Malaysian asset management regime is the only one that has a distinct regulatory license for Islamic fund management, which enables the industry to remain agile to adapt to its specific development.

**Investors** - The Malaysian mutual funds market has seen a significant growth more specifically, the growth of the Islamic funds has shown great promise. Malaysia ranks second in the top 10 countries with high Muslim population.

**Service providers** - Today, Malaysia has attracted global players to set up their regional hubs or processing centres in Malaysia. For example, globally renowned fund administrators and custodians such as Standard Chartered Bank, BNP Paribas, HSBC and Deutsche Bank all have a presence in Malaysia.

**Products & structures** – Malaysia offers a healthy mix of fund products to customers today ranging from REITs to ETFs, to Unit Trusts. However, a product that should be considered in Malaysia’s asset management offering today is the corporate-form fund. As described earlier, Singapore, Hong Kong and Australia are currently in the process of introducing legislation for corporate-form funds.

Overall, fund administration and asset servicing is becoming a fiercely desired space by many fund jurisdictions, and finding the competitive advantage will be key to success. Growing the overall financial services area would also be critical, as without this, fund administration would be limited in its offering by simply calculating net asset values. Developing the talent pool and supporting infrastructure to create more value is necessary to ensure that the sector is well-serviced and remains operational and cost-effective. Lastly, having a national corporate-form fund vehicle to entice global investors to use Malaysia as a fund domicile would anchor and accelerate the role of Malaysia as a global fund administration centre.


“Malaysia has attracted global players to set up their regional hubs”
Socially Responsible or Shariah Compliant?
Which creates more value for Investors in equity funds?
By: Dr Wajahat Azmi, Prof Shamsher Mohamad, Assoc Prof Mohd Eskandar Shah
The mutual fund industry observed a remarkable growth of two distinct types of mutual funds during the last two decades, namely, Shariah-compliant funds (SCFs) and Socially responsible funds (SRFs). These alternative investment avenues were created for investors who are keen on investments that are Shariah-compliant and have better ethical standards than conventional funds. To fulfil these needs, the funds’ investment strategies incorporate specific non-financial screening criteria based on ethical and religious guidelines, besides the typical risk-return financial screening.

Although both types of funds employ specific financial screening criteria, a distinction is apparent between them (Forte & Miglietta, 2011). SRFs are investment vehicles that combine investors’ financial objectives of monetary gains with non-financial related social and ethical concerns; for instance, issues related to environmental protection, and issues related to societal impact of firms involved in tobacco and alcohol production, gambling and casinos. (Haigh & Hazelton, 2004). With regard to investment style, SRFs usually prefer small capitalization firms and value stocks (Fowler & Hope, 2007). On the other hand, SCFs are defined as the funds that comply with the Islamic (or Shariah) principles. For example, for profit/earnings to be legitimate, the investments need to be free from any form of Riba (interest), Gharar (uncertainty/speculation), Maysir (gambling) and the other non-permissible elements such as alcohol, pork, etc. Further, SCFs also give consideration to the level of debt, liquidity amongst other financial ratios (DJ Islamic screening criteria, MSCI Islamic screening criteria etc.) in their investment strategy (Forte & Miglietta, 2011). Therefore, the main difference between SRFs and SCFs is that SRFs can freely choose between debt-bearing and profit-bearing investments, as long as the selected stocks adhere to social, moral, or environmental beliefs (Abdelsalam, Fethi, Matallin, & Tortosa-Ausina, 2014). Further, SRF managers do not give consideration to the leverage in the firm. This becomes evident as SCFs mainly invest in growth stocks due to the lower leverage of these stocks (Hoepner, Hussain, & Rezec, 2011). In terms of preference to small against big firms, like SRFs, SCFs also prefer small capitalized firms (Hoepner, Hussain, & Rezec, 2011).

This article examines the comparative risk-return profile of SCFs and the SRFs, taking into consideration the investment style of these funds over six different regions namely, Asia Pacific, Emerging, Europe, Global, MENA and North America.

Equity funds were sampled from January 2002 to December 2013. Monthly returns and other relevant information such as fund name, type and investment universe was sourced from Eurekahedge, Bloomberg and Fund prospectus for both types of funds. Our final survivorship free bias total sample consists of 964 funds that comprises 306 SCFs and 658 SRFs with investment focus in Asia pacific, Emerging markets, Europe, Global, Middle East and North Africa (MENA) and North America.

The single factor (CAPM) and multi-factor models (Fama and French - 3 factor and the Carhart – 4 factor) were applied to measure equity fund performance, investment-style based performance over different regions and time-period based performance (pre-crisis, crisis, post-crisis).

The results of risk-return profiles and the investment style are reported in Table 1. Irrespective of the performance model used, both type of funds indicate similar returns and had significantly underperformed the market. This is in line with the recent literature on these funds (Capelle-Blancard & Monjon, 2014; Nainggolan, How, & Verhoeven, 2015). One possible reason for their underperformance could be due to the lack of diversification, affirmed by the fact that funds from the Global region had relatively superior performance compared to other regions. In simple words, managers do well when they have the option to select stocks from a larger investment universe. Second, both types of funds are less exposed to the market and hence assumed to be less risky. This is in line with our expectation and the literature (Ferruz, Munoz, & Vargas, 2012; Leite & Cortez, 2014). As for the investment style, the SRFs prefer to invest in small stocks whereas the SCFs do not show any preferred investment strategy. However, both types of funds prefer to invest in growth stocks. The SRFs performed better than the SCFs during the crisis period.

The findings of the split sample based on different periods are presented in Table 2. The pre-crisis and the crisis results are in line with the results of the total sample but post-crisis results reveal that these funds do much better than the pre-crisis and crisis period.

The main implication is that investors would be better off investing in ethical/Islamic indices than general equity funds. This implies that investors investing in Islamic/ethical indices are not penalized (or do not bear an extra cost) on financial grounds. With regards to the performance, these screened funds invest in stocks that are relatively immune to financial distress arising out of corporate frauds, environmental disasters, and high leverage and hence are in some way protected from huge losses due to penalties and compensations. For instance, DJ Islamic World index delisted Enron and other financially distressed firms just before the scandal became public (Hussein & Omran, 2005). More recently, in the British Petroleum oil spill case, the company agreed to settle for US$18.7 billion in penalties to the U.S. government excluding the US$43.8 billion that...
they provisioned for criminal and civil fines, and the clean-up cost. This indicates some measure of accountability (or social responsibility) on the part of firms. Heal (2005) postulates that these firms are immune to costs (in terms of fines and penalties) arising out of corporate frauds or environmental disasters and hence tend to do better than the firms which are not socially responsible. But the benefits of being socially responsible can only be realized over the long term. For instance, British Petroleum was doing fairly well in terms of performance before the incidence of oil spill. Due to the imposed fines and penalties, the value that British Petroleum has generated so far for investors was almost lost.

Assuming availability of data, future research could consider the performance of domestic, regional and international funds and the investment style after controlling for home bias, as the investment focus of these funds is different in alternate regions.

<table>
<thead>
<tr>
<th>Region</th>
<th>Alpha</th>
<th>Beta</th>
<th>Investment style</th>
<th>Crisis</th>
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<td></td>
<td>CAPM</td>
<td>FF - Factor</td>
<td>CAPM</td>
<td>FF - Factor</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X</td>
<td>0.278***</td>
<td>0.278***</td>
<td>0.001</td>
<td>-0.055***</td>
</tr>
<tr>
<td></td>
<td>(.12)</td>
<td>(.23)</td>
<td>(.13)</td>
<td>(.33)</td>
</tr>
<tr>
<td>Y</td>
<td>0.630***</td>
<td>0.650***</td>
<td>0.019**</td>
<td>-0.161***</td>
</tr>
<tr>
<td></td>
<td>(.01)</td>
<td>(.18)</td>
<td>(.01)</td>
<td>(-.16)</td>
</tr>
<tr>
<td><strong>Asia Pacific</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X</td>
<td>0.312***</td>
<td>0.314***</td>
<td>-0.001</td>
<td>-0.053***</td>
</tr>
<tr>
<td></td>
<td>(.08)</td>
<td>(.17)</td>
<td>(.01)</td>
<td>(-.12)</td>
</tr>
<tr>
<td>Y</td>
<td>0.533***</td>
<td>0.561***</td>
<td>0.144***</td>
<td>-0.171***</td>
</tr>
<tr>
<td></td>
<td>(.05)</td>
<td>(.13)</td>
<td>(.10)</td>
<td>(-.10)</td>
</tr>
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<td></td>
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</tr>
<tr>
<td>X</td>
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<td>0.862***</td>
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<td>-0.083**</td>
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<td>(.19)</td>
<td>(.23)</td>
<td>(.01)</td>
<td>(-.12)</td>
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<tr>
<td>Y</td>
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<td>0.761***</td>
<td>0.234**</td>
<td>-0.311***</td>
</tr>
<tr>
<td></td>
<td>(.11)</td>
<td>(.13)</td>
<td>(.01)</td>
<td>(-.10)</td>
</tr>
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<td><strong>Europe</strong></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>X</td>
<td>0.104***</td>
<td>0.110***</td>
<td>-0.001</td>
<td>-0.047</td>
</tr>
<tr>
<td></td>
<td>(.07)</td>
<td>(.10)</td>
<td>(.01)</td>
<td>(-.12)</td>
</tr>
<tr>
<td>Y</td>
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<td>0.687***</td>
<td>0.021*</td>
<td>-0.100***</td>
</tr>
<tr>
<td></td>
<td>(.04)</td>
<td>(.18)</td>
<td>(.01)</td>
<td>(-.10)</td>
</tr>
<tr>
<td><strong>Global</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>X</td>
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<td>0.209***</td>
<td>-0.003</td>
<td>-0.050***</td>
</tr>
<tr>
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<td>(.05)</td>
<td>(.06)</td>
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<td>(-.12)</td>
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<tr>
<td>Y</td>
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<td>0.598***</td>
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<td></td>
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<td>(.13)</td>
<td>(.01)</td>
<td>(-.12)</td>
</tr>
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<td></td>
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<td></td>
</tr>
<tr>
<td>X</td>
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<td>0.282***</td>
<td>0.004</td>
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<td>(.13)</td>
<td>(.01)</td>
<td>(3.54)</td>
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<tr>
<td>Y</td>
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<td>0.028</td>
<td>0.002</td>
<td>0.013**</td>
</tr>
<tr>
<td></td>
<td>(.01)</td>
<td>(.02)</td>
<td>(.01)</td>
<td>(.01)</td>
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<tr>
<td><strong>North America</strong></td>
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</tr>
<tr>
<td>X</td>
<td>0.883***</td>
<td>0.868***</td>
<td>0.120***</td>
<td>-0.205***</td>
</tr>
<tr>
<td></td>
<td>(.24)</td>
<td>(.23)</td>
<td>(.24)</td>
<td>(-.39)</td>
</tr>
<tr>
<td>Y</td>
<td>0.791***</td>
<td>0.799***</td>
<td>0.104***</td>
<td>-0.123***</td>
</tr>
<tr>
<td></td>
<td>(.18)</td>
<td>(.19)</td>
<td>(.18)</td>
<td>(-.19)</td>
</tr>
</tbody>
</table>

Note: X and Y in the above table denote SCFs and SRFs respectively. T-ratios in parentheses: *, ** and *** denote significance at 10%, 5% and 1% respectively. In case of full sample, regional dummies are used.

Table 1: Jensen Alpha, Market risk and Investment Style (OLS Estimations)

Table 2: Jensen Alpha, Market risk and Investment Style (Full sample)

<table>
<thead>
<tr>
<th>Dependent variable: Returns</th>
<th>Pre - crisis</th>
<th>Crisis</th>
<th>Post - crisis</th>
</tr>
</thead>
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<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td></td>
<td>CAPM</td>
<td>Carhart</td>
<td>CAPM</td>
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<tr>
<td><strong>Alpha</strong></td>
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<tr>
<td>X</td>
<td>-2.316***</td>
<td>-2.263***</td>
<td>-0.945***</td>
</tr>
<tr>
<td></td>
<td>(-5.03)</td>
<td>(-4.03)</td>
<td>(-12.95)</td>
</tr>
<tr>
<td>Y</td>
<td>-1.466***</td>
<td>-1.378***</td>
<td>-0.628***</td>
</tr>
<tr>
<td></td>
<td>(-4.54)</td>
<td>(-12.91)</td>
<td>(-6.71)</td>
</tr>
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<td><strong>Risk (Beta)</strong></td>
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<td></td>
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<tr>
<td>X</td>
<td>0.109***</td>
<td>0.109***</td>
<td>0.607***</td>
</tr>
<tr>
<td></td>
<td>(4.67)</td>
<td>(17.77)</td>
<td>(3.43)</td>
</tr>
<tr>
<td>Y</td>
<td>0.638***</td>
<td>0.602***</td>
<td>0.671***</td>
</tr>
<tr>
<td></td>
<td>(5.06)</td>
<td>(3.66)</td>
<td>(13.02)</td>
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<tr>
<td><strong>Investment Style</strong></td>
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<tr>
<td>X (SMB)</td>
<td>0.082***</td>
<td>0.094***</td>
<td>0.002*</td>
</tr>
<tr>
<td></td>
<td>(11.03)</td>
<td>(7.89)</td>
<td></td>
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<tr>
<td>X (HML)</td>
<td>-0.039**</td>
<td>-0.230***</td>
<td>0.045**</td>
</tr>
<tr>
<td></td>
<td>(-1.97)</td>
<td>(-5.66)</td>
<td>(6.66)</td>
</tr>
<tr>
<td>X (MOM)</td>
<td>-0.032*</td>
<td>-0.046***</td>
<td>0.033**</td>
</tr>
<tr>
<td></td>
<td>(-1.88)</td>
<td>(-4.31)</td>
<td>(9.82)</td>
</tr>
<tr>
<td>Y (SMB)</td>
<td>0.103***</td>
<td>0.084***</td>
<td>0.015***</td>
</tr>
<tr>
<td></td>
<td>(5.55)</td>
<td>(9.03)</td>
<td>(11.43)</td>
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<tr>
<td>Y (HML)</td>
<td>-0.004</td>
<td>-0.273***</td>
<td>0.022</td>
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<td>(-0.28)</td>
<td>(-6.66)</td>
<td>(0.36)</td>
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<tr>
<td>Y (MOM)</td>
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<td>0.064***</td>
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<tr>
<td></td>
<td>(-3.62)</td>
<td>(-4.81)</td>
<td>(5.01)</td>
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<td>Yes</td>
</tr>
<tr>
<td>N</td>
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<td>15279</td>
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<td>Adj R-Squared</td>
<td>0.238</td>
<td>0.272</td>
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</tr>
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</table>

X and Y in the above table denote SCFs and SRFs respectively. T-ratios in parentheses: * , ** and *** denote significance at 10%, 5% and 1% respectively. In case of full sample, regional dummies are used.


“One possible reason for their underperformance could be due to the lack of diversification”
The 2016 CIAWM Scholarship Awards

An invitation to apply for the 2016 CIAWM scholarships was officially announced on the 25th of April 2016 and a grace period of one month (until the 31st of May 2016) was given to INCEIF PhD students who qualify the set criteria to apply on online basis. Since 2013, BNP Paribas – INCEIF Centre for Islamic Wealth Management (CIWM) (now rebranded as Centre for Islamic Asset Wealth Management (CIAWM) since January 2016 to allow for wider scope of activities) has been awarding scholarships to deserving INCEIF’s PhD candidates. The qualifying criteria for application is that students have completed their course work and the Comprehensive Examination and currently preparing their research proposals. With the objective of promoting scholarship in Islamic asset and wealth management, preference is given to candidates whose research is in the area of Islamic Asset Wealth Management, and who have no other sources of funding. The scholarship covers the tuition fees for 24 credit hours for PhD by coursework or 42 credit hours for PhD by research and a monthly stipend of RM1,500 for a maximum tenure of 18 months.

Since its inception in 2013, the Centre awarded scholarships to five (5) students (until 2015). Two students have graduated and the other three are in their final stage of completion. Two more scholarships were awarded for the year 2016, as listed below:

Scholarship Recipients (2014-2016)

**Mohd Moutaz Abojeib**
PhD in Islamic Finance (by coursework and dissertation)
Moutaz received his early education in Syria and obtained his Bachelor’s degree in Accounting from Damascus University in 2005. He completed his joint Master’s programme in Damascus University and Bordeaux IV, France, in Banks and Finance Management. He is currently completing his research on: *The Competitiveness and Stability Relationship among Islamic Banks.*

**Choudhary Wajahat Naeem Azmi**
PhD in Islamic Finance (by coursework and dissertation)
Graduated with a first class Bachelor’s Degree in International Business from Lucknow University, India in 2009, and completed his Master’s in Islamic Finance in 2013 with INCEIF. He continued in the PhD program at INCEIF, and the topic of his research was: *Which Create More Value for Investors, Shariah Compliant or The Socially Responsible Funds?*. He graduated in 2016.
Mazhar Hallak Kantakji
**PhD in Islamic Finance (by coursework and dissertation)**
A graduate of Damascus University with a Bachelor’s in Economics, Mazhar completed two diplomas in Islamic Funding and English language both in 2008. He then completed the Charted Islamic Finance Professional program and a Master’s degree in Islamic finance from INCEIF. He is currently pursuing his PhD at INCEIF with the research topic: *Financial Performance & Macro Effect of Takaful Companies vis-à-vis Economic Growth.*

Mohamed Anouar Gadhoum
**PhD in Islamic Finance (by coursework and dissertation)**
He holds a Bachelor and Master’s degree in Jurisprudence from Sharjah University, UAE. Anouar held various positions both in the industry and the academia as a Shariah Advisor and Shariah Consultant prior to his years in INCEIF. He is currently in the PhD program at INCEIF and his research is on Corporate Ethical Identity Disclosure and Its Impact on Performance: *Evidence from Islamic Banks.*

Zaheer Anwer
**PhD in Islamic Finance (by coursework and dissertation)**
Equipped with more than 12 years of experience in the banking industry, Zaheer joined INCEIF’s PhD program in 2015 his research topic: *Is Faith – Based Investment a Disadvantage? The Case of Shariah and Socially Responsible Investment (SRI’s) Firms.* He received his Bachelor (B.Sc) degree from Government College in Lahore Pakistan before completing his Master’s of Business Administration in 2002 from Quaid- e- Azam University, Islamabad Pakistan.
Building skills talent is one of the key pre-requisites in supporting the progressive developments of Islamic finance. Human intellectual capital is a critical asset that is much needed to drive innovation and sustain market competitiveness to meet challenges in the Islamic financial industry.

With the rapid growth of the Islamic financial system, Bank Negara Malaysia established INCEIF, The Global University of Islamic Finance to develop human capital for the global Islamic finance industry. Apart from its academic programmes, which are Masters in Islamic Finance Practice, MSc in Islamic Finance and PhD in Islamic Finance, INCEIF also offers customised executive training programmes and industry-focused applied research in line with its vision to be the knowledge and thought leader in Islamic finance. INCEIF syllabus is structured with inputs from industry players to bridge the gap between academic knowledge and industry experience.

INCEIF faculty members, who are globally respected among the Islamic finance academia and industry, have a combined wealth of experience and diversity. The faculty, coupled with continuous support from the industry, provides INCEIF students with strong mentoring relationships and opportunities for professional development.

With over 10 years since its inception, INCEIF now has over 1078 alumni from over 40 countries around the world taking up significant positions across markets and jurisdictions. INCEIF research was ranked 1st, in the Research Papers in Economics (REPEC) rankings for Malaysia while 11% of the world’s accredited and referenced output in research is attributable to INCEIF & ISRA. INCEIF is also on track to obtain the Association to Advance Collegiate Schools of Business (AACSB) accreditation, which is the most renowned accreditation association of business schools, and includes revered institutions such as Harvard Business School and MIT Sloan School of Management.