

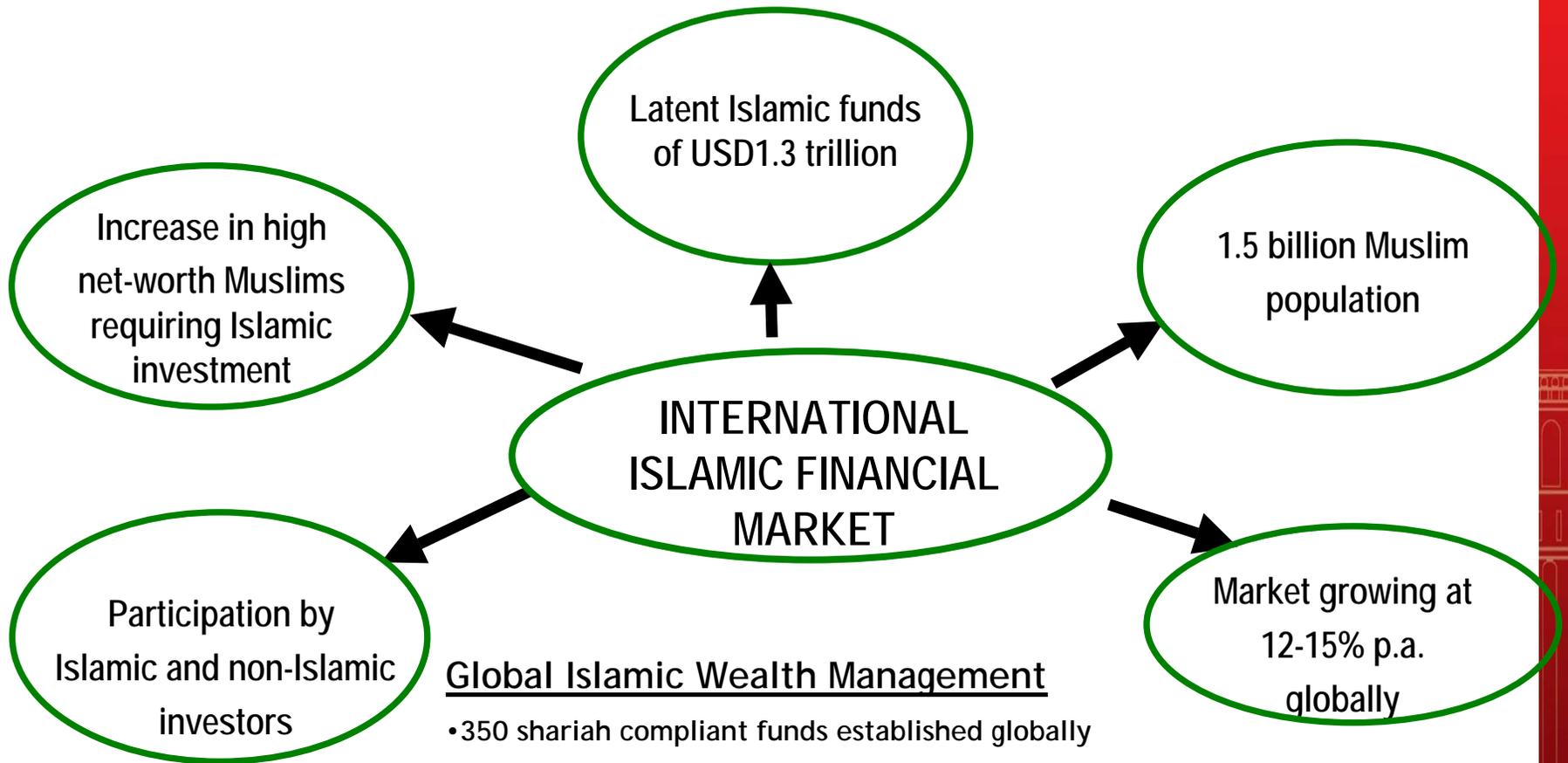
# Introduction to Sharia Exchange Traded Fund -ETF-

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# Islamic Capital Market

# Global Opportunity



## Global Islamic Wealth Management

- 350 shariah compliant funds established globally
- Global market capitalization of Dow Jones Islamic Index : USD 10 trillion
- More than 300 Islamic financial institutions and 80 takaful operators globally
- Islamic assets of Islamic banks and window based conventional banks - USD560billion

# Malaysian Islamic Capital Market

## ISLAMIC EQUITIES

875 shariah stocks

62% of market capitalization

**New Shariah index :**

FTSE Bursa Emas & Hijrah

## SUKUK

50% of total outstanding bonds

## ISLAMIC UNIT TRUST

NAV RM12.33BIL

8.4% of total industry

- Many first innovations have taken place

- First Islamic exchangeable sukuk of USD\$750million

- First global sovereign sukuk of USD\$600million

- First listed Islamic REITS

- Developing a wide range of products

- Shariah compliant stocks

- Islamic unit trusts

- Islamic REITS

- SUKUK

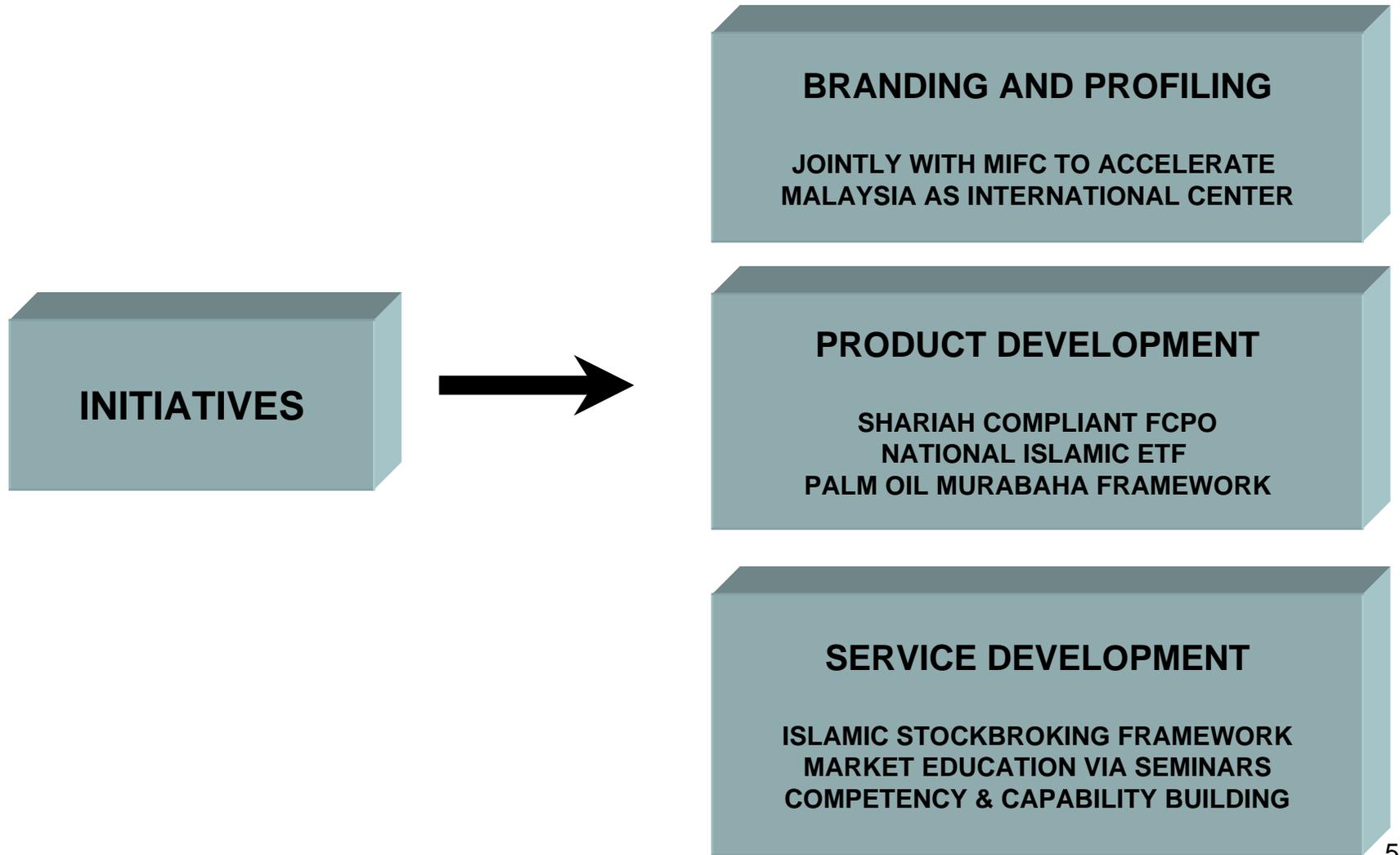
- Shariah compliant futures contract

- Islamic intermediation services

- Islamic stock broking

- Islamic fund management

# Bursa Islamic Capital Market Initiatives



# ETFs Growth in Asia

# ETFs in Asia

- ETFs are increasingly an attractive & efficient investment option ...
  - at the end of June 2007, there are 953 ETFs, listed in 41 Exchanges all over the world with assets of around USD689 billion.
  - fund size of some Asian ETFs have increased substantially since their launch
  - 70% of assets are in US, 16% in Europe and 14% in the rest of the world

Examples of some Asian equity ETFs :

ASIA EX-JAPAN EQUITY ETF (AS OF 3 MAY 2007)	COUNTRY	LAUNCH DATE	INITIAL SIZE (USD MN)	PRESENT SIZE (USD MN)	APPROXIMATE INCREASE
TraHK Tracker Fund of HK	Hong Kong	Nov, 1999	4,300.0	4636.49	0.07 X
Hang Seng Index ETF	Hong Kong	Sept, 2004		1899.87	
streetTRACKS S&P/ASX 200	Australia	Aug, 2001	42.8	645.58	14 X
streetTRACKS S&P/ASX 50	Australia	Aug, 2001	22.1	35.16	0.6 X
Nifty BeES	India	Jan, 2002	4.8	410.93	84.6 X
Junior Nifty BeES	India	Feb, 2003	0.3	1.02	2.4 X
streetTRACKS STRAITS TIMES	Singapore	Apr, 2002	24.2	605.95	24.0 X
Kodex 200	Korea	Oct, 2002		1625.23	
Polaris Taiwan 50	Taiwan	Jun, 2003	123.0	1352.36	10.0 X

# Performance of Conventional ETFs in Other Markets

Name of ETF	Street TRACK Straits Times Index : blue chips	Polaris TTT Taiwan 50 Index : Top 50	Tracker Fund HK	H-Share ETF	FBM30 ETF
<i>Listed/ Traded</i>	SGX	TSEC	HKEX	HKEX	Bursa Malaysia
<i>Inception</i>	Apr'02	June'03	Nov'99	Nov'03	July'07
<i>Market Capitalization (as at 30<sup>th</sup> Apr'09) (mil)</i>	SGD 465	TWD 47,377	HKD 34,970	HKD 11,396	MYR 4.2
<i>Average Daily Trading Volume in 2008 (units)</i>	195,349	16,305,099	15,182,330	1,493,738	23,915

Source : Bloomberg

# Performance of Islamic ETFs in Other Markets

Name of ETF	Dow Jones Islamic Market Turkey ETF	Easy ETF Dow Jones Islamic Market Titans 100	MyETF DJIM25
<i>Listed/ Traded</i>	Istanbul Stock Exchange	Swiss Exchange	Bursa Malaysia
<i>Inception</i>	Feb'06	Jan'07	Jan'08
<i>Market Capitalization (as at 30<sup>th</sup> Apr'09) (mil)</i>	TRY 4.95	n/a	MYR 581
<i>Average Daily Trading Volume in 2008 (units)</i>	52,190	n/a	522,233

*Source : Bloomberg*

# The PM's speech on 22 March 2007...



“I am also pleased to announce the establishment of EXCHANGE TRADED FUNDS (ETFs), which will be listed on Bursa Malaysia by the end of this year.

The GLICs will participate in the ETFs by selling a portion of their portfolios in exchange for units in the ETFs. The ETFs will collectively have an initial fund size of at least 3.5 billion Ringgit”

Dato' Seri Abdullah Ahmad Badawi  
Prime Minister of Malaysia

# Structuring the Joint Working Group

## Chairman

Ministry of Finance

## Regulatory

Securities Commission

## Secretariat

Bursa Malaysia

## Government Linked Investment Companies

- ValueCap Sdn Bhd
- Employee Provident Fund
- Lembaga Tabung Angkatan Tentera
- Lembaga Tabung Haji
- Khazanah Nasional Bhd
- Permodalan Nasional Bhd
- Kumpulan Wang Amanah Pencen

## RFP was issued to the following fund managers

- State Street Global Advisors (SSgA)
- Barclays Global Investors (BGI)
- **BNP Paribas Investments**

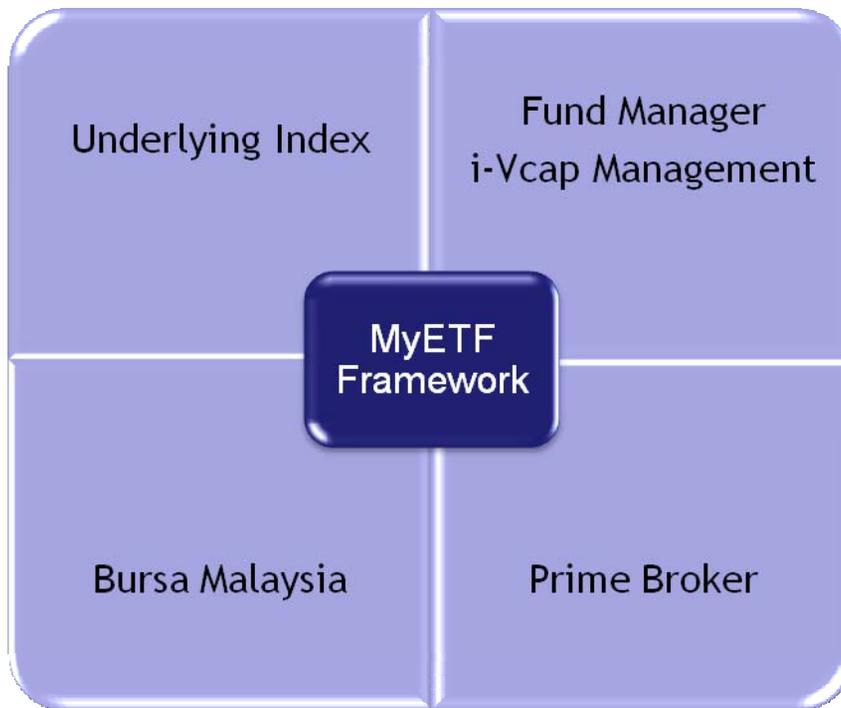
## Partners

- Nomura Asset Management
- The Bank of New York Mellon
- Societe Generale Corporate & Investment Banking
- CIMB Principal Asset Management
- AmInvestment Management

# MyETF Framework

- Index selection : Dow Jones Islamic 25  
Titans Index (DJIM25)
- Index provider ensure stocks are shariah compliant

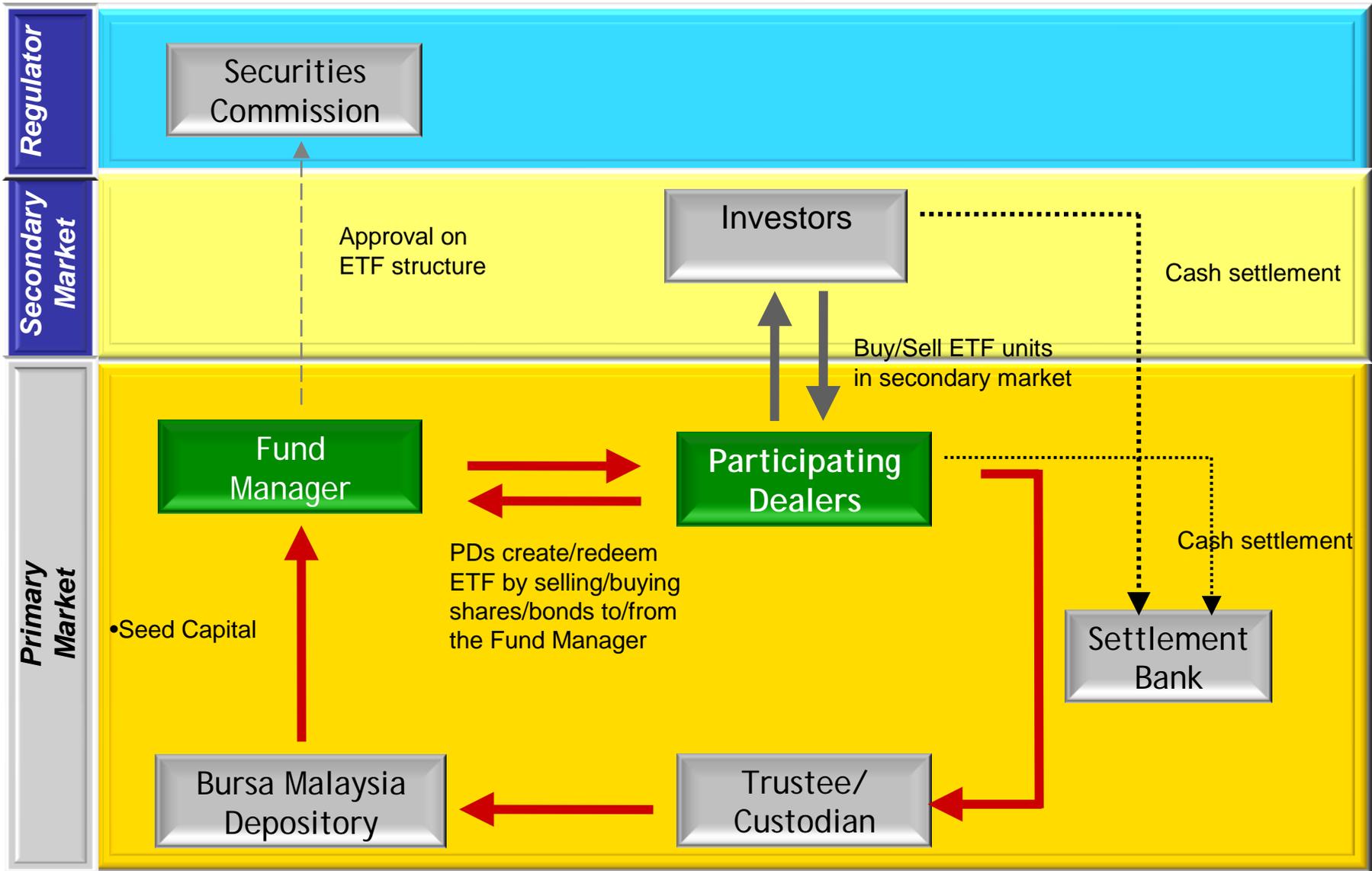
- Index Listing
- ETF Listing
- Dissemination of information
- Shariah compliant framework for creation & redemption



Investment Advisor: BNP Paribas	Shariah Advisor: CIMB Islamic
Submission Advisors: •CIMB Investment •Kadir, Andri & Partners •PwC	Trustee: Deutsche Trustee

- CIMB Investment
- OSK investment

# Who's Who in a Islamic ETF



# Readiness on ETF

No	Subject	Issues
New requirements to cater for Islamic ETF		
1	Regulatory framework on the Permitted Short selling and Securities Borrowing and Lending in Shariah principles (PSS/SBL)	<ul style="list-style-type: none"> <li>To understand the plan details on the PSS/SBL mechanism for shariah compliant.</li> <li>Short selling is required for ETF when creation and redemption takes place. A shariah compliant methodology of salam, urbun or wa'ad will be studied.</li> <li>SBL facilities, is needed to smoothen the market making activities for PDs.</li> </ul>
2	Creation and Redemption (Shariah)	<ul style="list-style-type: none"> <li>Currently only applicable for the conventional ETFs. The shariah compliant creation and redemption mechanism will be developed to meet the timing and settlement requirement.</li> </ul>
3	Market Making framework (equities)	<ul style="list-style-type: none"> <li>Market making framework will enable Participating Dealers to:</li> <li>Provide liquidity in the secondary market</li> <li>Required to provide two way quotes for bid and ask price.</li> <li>Formalise market maker will be implemented by 3Q 2009. This will be applicable to conventional and shariah.</li> </ul>

No	Subject	Issues
Additional requirements for local ETF denominated in multicurrency		
4	Dual Listing with Foreign Exchange	<ul style="list-style-type: none"> <li>The National Islamic ETF is proposed to be listed in and foreign exchange to attract the fund from the GCC countries.</li> <li>The listing requirement will be expanded to cater for the dual listing</li> </ul>
5	Multicurrency system	<ul style="list-style-type: none"> <li>Establish multicurrency model, ie: the currency of receipt and payment by investors, Participating Organizations, and clearing house.</li> <li>Operationalizations of multicurrency requirements.</li> <li>Current trading system: <ul style="list-style-type: none"> <li>has enhanced the trading system (WinSCORE) to cater for trading of multicurrency products in denominated settlement in non-RM (USD, SGD, HKD, AUD)</li> </ul> </li> <li>Clearing and Depository System <ul style="list-style-type: none"> <li>Regulation (ARMADA and other rules) impacted by non-RM requirement</li> </ul> </li> </ul>
6	Direct Market Access (equities)	<ul style="list-style-type: none"> <li>Readiness of Bursa Trade Securities launch with 6 months stability</li> <li>System readiness is targeted at 3Q 2009</li> </ul>
7	Marketing and education programme	<ul style="list-style-type: none"> <li>National ETF Fund Manager to propose the marketing and promotional plans</li> <li>to have a joint promotion to ensure visibility and Participating Dealers accessibility</li> </ul>

# Sharia ETFs

Index Provider	Sharia Index	Exchange	Number of Constituents Stocks	Product
Dow Jones	Dow Jones Islamic Market Turkey	Istanbul Stock Exchange	26 largest companies in Turkey	<ul style="list-style-type: none"> <li>• Dow Jones Islamic Market Turkey ETF</li> </ul>
	Dow Jones Islamic Market Titans 100	Swiss Exchange	<ul style="list-style-type: none"> <li>• DJIUS Titans 50</li> <li>• DJIEurope Titans 25</li> <li>• DJIAsia Pacific Titans 25</li> </ul>	<ul style="list-style-type: none"> <li>• DJ Islamic Market Titans 100 ETF</li> </ul>

# Performance of MyETF DJIM25

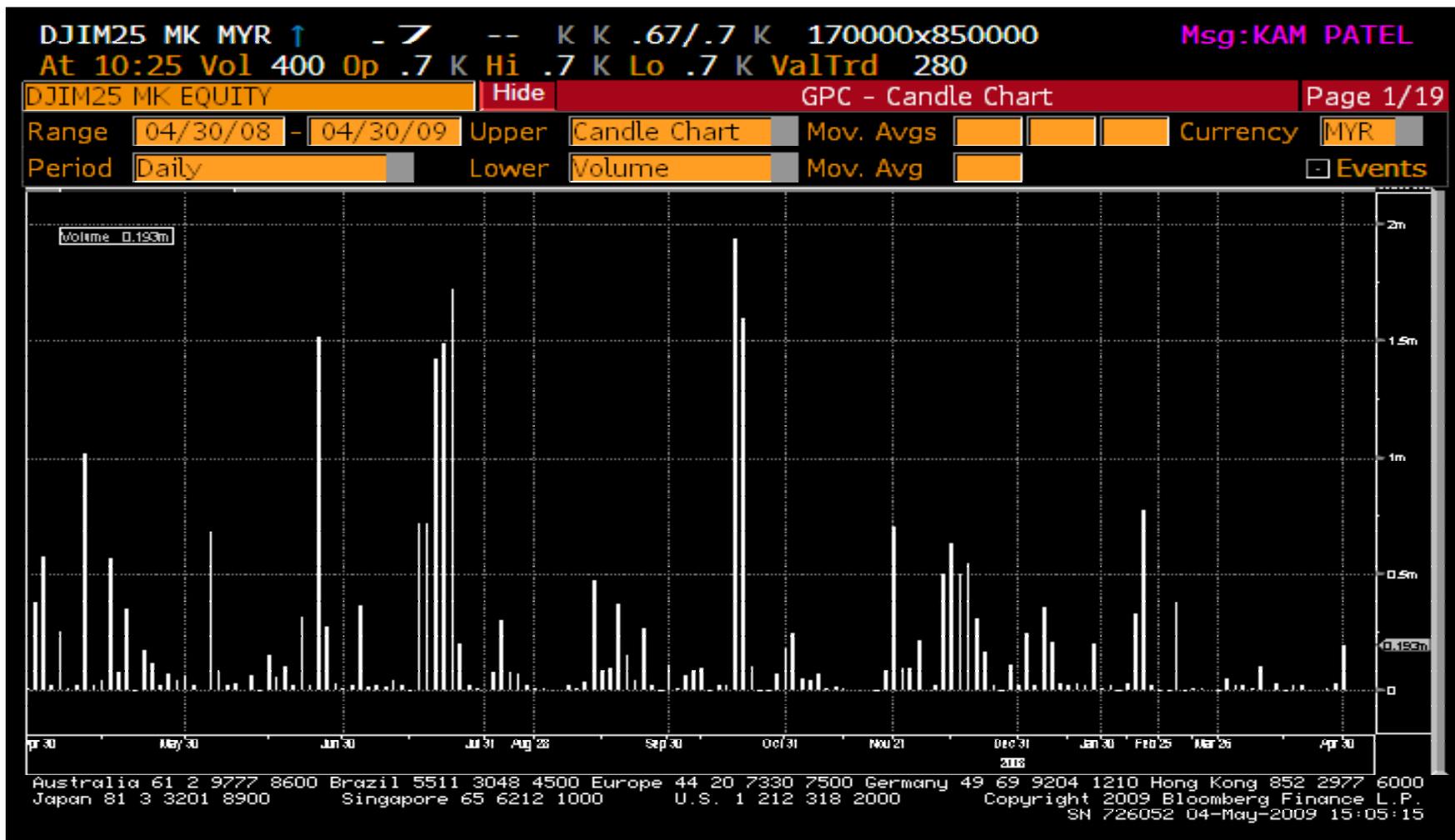


Chart : Volume from 301th Apr'08-30th Apr'09

Source : Bloomberg

Average Daily Volume since inception : 396,774 units (31<sup>st</sup> Jan'08 - 30<sup>th</sup> Apr'09)  
 Average Daily Price : RM 0.76 cent