



Monetary and Capital Markets Department
Debt and Capital Markets Instruments Division

Sukuk Markets

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Sukuk market: An Overview

Sukuk market overview and financial stability aspects:

- Recent trends and Growth potential
- Standardization and Risk Surveillance Mission
- Policy guidance for market development

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Sukuk Market: Recent Trend & Growth Potential

Recent Evolution:

- Sukuk have rebounded since the GFC
- Demand is outstripping supply
- Supply is dominated by EMDC

Growth Potential:

- Issuance is increase rapidly
- New conventional sovereigns & corporate to issue Sukuk
- Preferred mode of financing for long-term financing
- Attract a diversified investor base to local capital market

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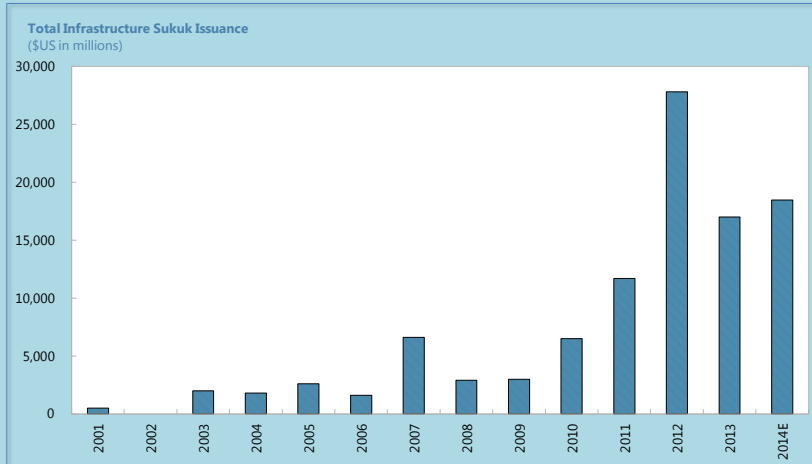
Sukuk Market Growth Prospects: Increasing Internationalization

Global Sukuk Issuance
(\$U.S. in billions)



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Sukuk Market Growth Prospects: Increasingly used to Fund Infrastructure



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Sukuk Market: Standardization & Risk Surveillance

Risk and Financial Stability Implications:

Sukuk risks are unique and go beyond the risk factors of conventional bonds.

Market Feedback and Risk aspects:

- Challenges in implementing true securitization
- Concentration risk: currency, regional, and sector (real estate)
- Uncertainty over the legal frameworks for debt restructuring and investor rights
- Instrument complexity and lack of standardization
- Lack of Shari'a-compliant risk management tools
- Illiquid secondary market
- Market Fragmentation

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Sukuk Market: Policy Guidance

Main policy recommendation:

- Building legal, regulatory and supervisory framework
- Situate in a broader strategy for LCBM deepening
- Ensuring consistency with conventional regulation without compromising values
- Fostering industry standardization
- Developing transparency and disclosure procedures
- Building capacity and skilled human resources