

## Global Sukuk and Liquidity Market

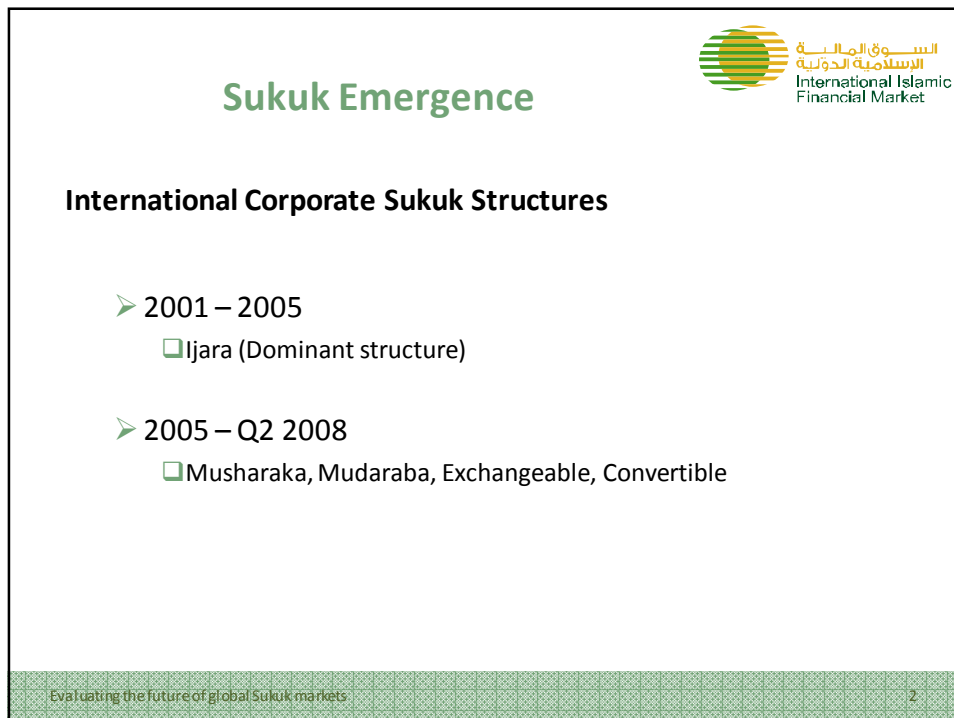
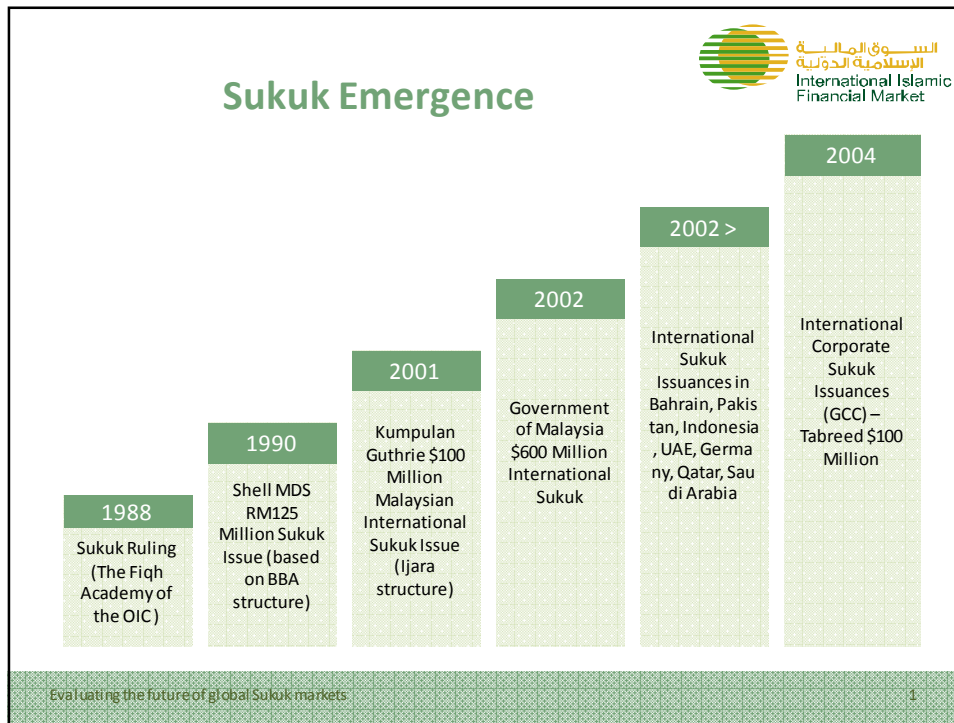
### *Evaluating the future of global Sukuk markets*

6<sup>th</sup> Kuala Lumpur Islamic Finance Forum  
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## Sukuk Emergence

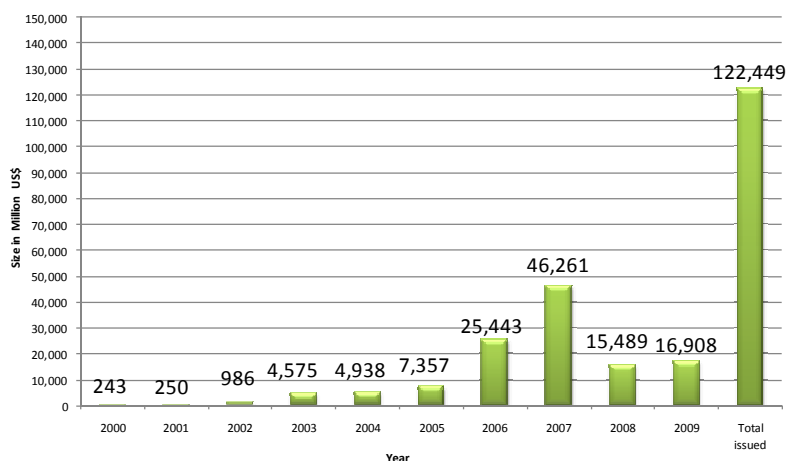


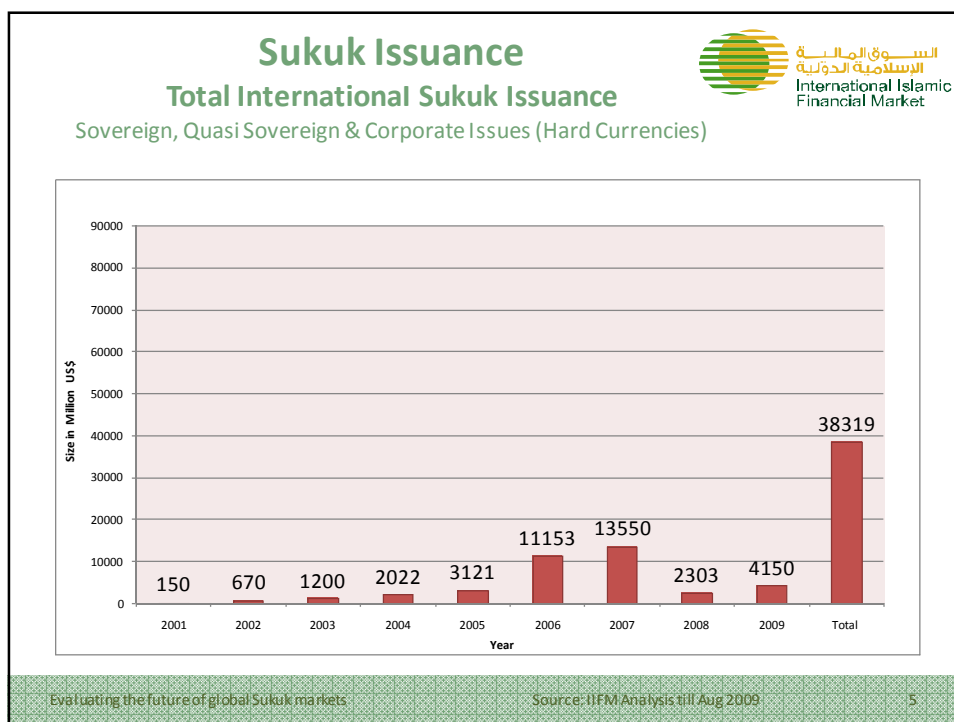
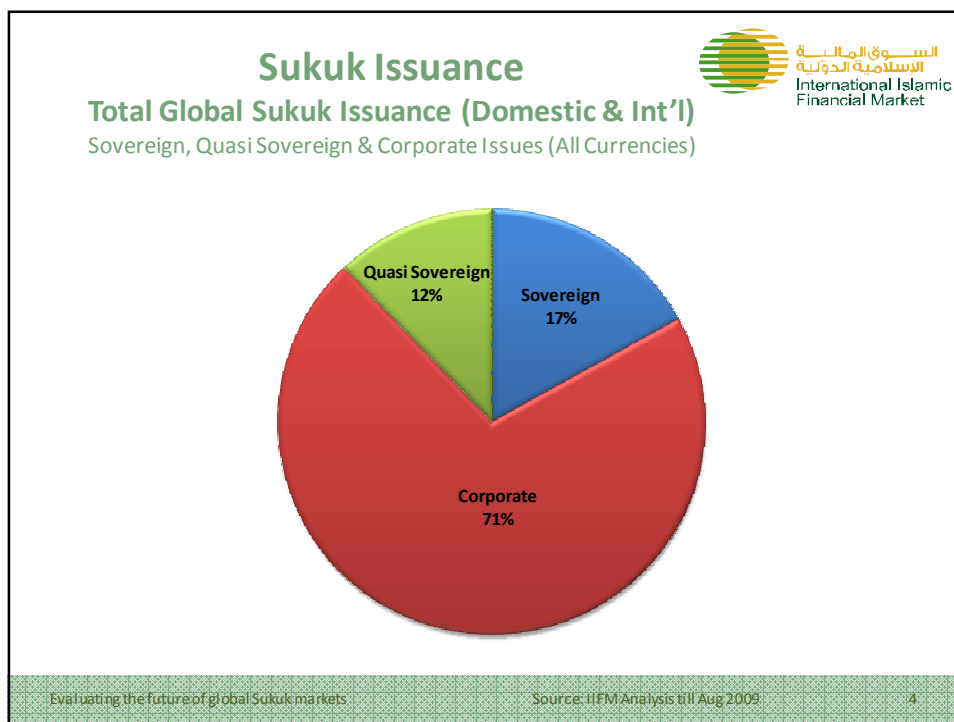
Structural break-up of international issues			
	No. of issues	Value in USD millions	% of total Value
Ijara	30	13,975	40%
Musharakah	18	7,726	22%
Mudharabah	7	7,255	21%
Islamic Exchangeable Bond	6	3,660	10%
Manfaa	1	650	2%
Hybrid	3	487	1%
Murabahah	3	438	1%
Intifar	1	390	1%
Wakala	1	325	1%
<b>Total</b>	<b>70</b>	<b>34,906</b>	<b>100%</b>

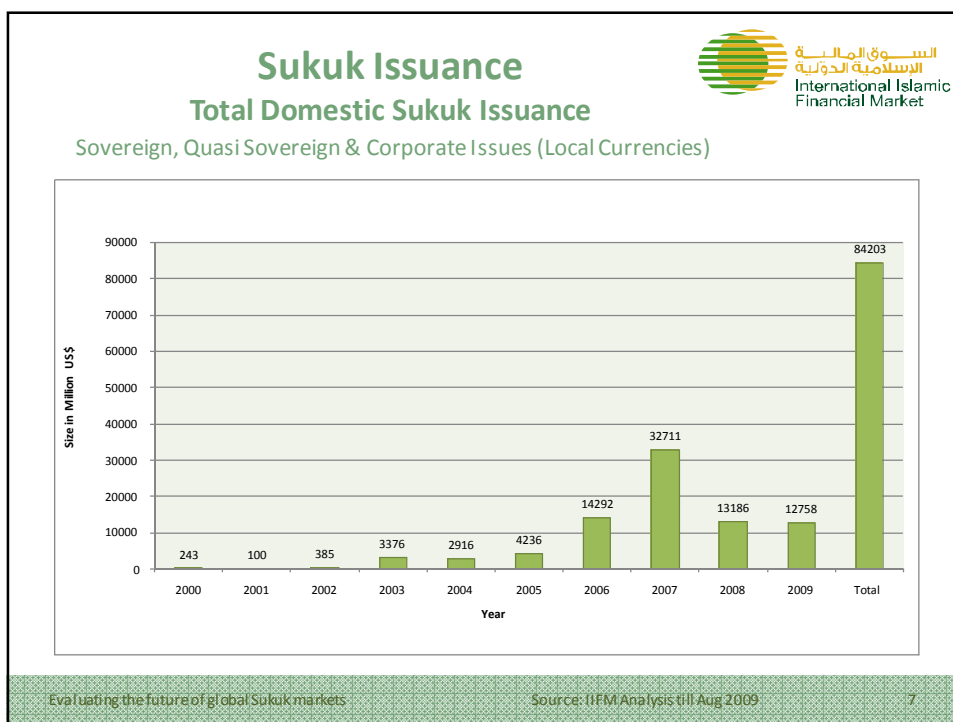
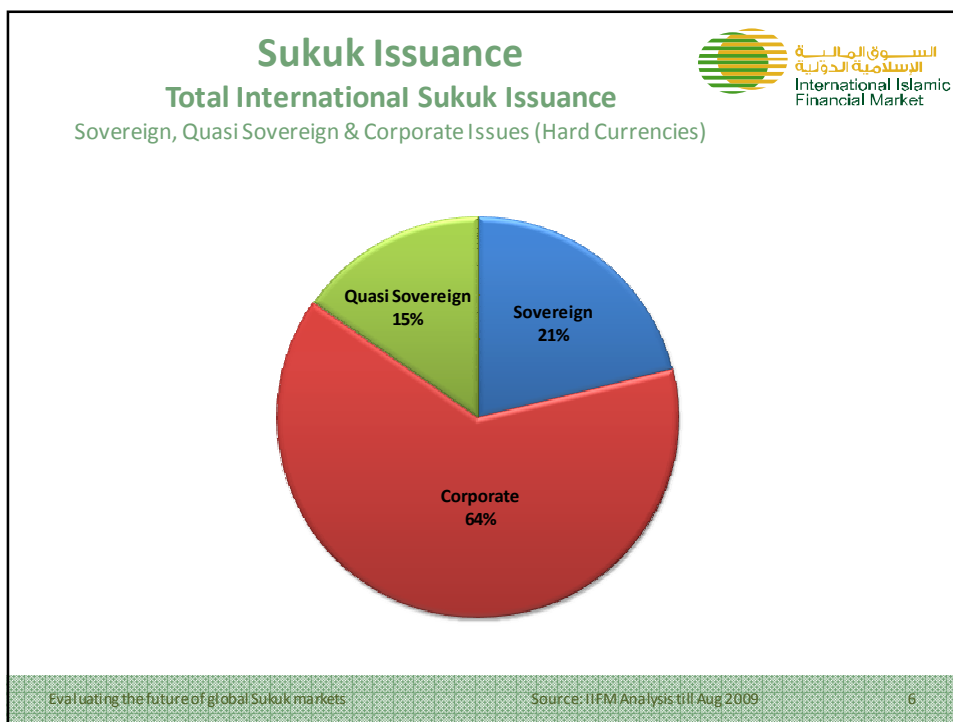
Whenever exchangeability as a feature has been combined with some other Islamic mode of financing or investment such as Ijarah, Musharaka or Mudaraba, we have categorized the Sukuk issue according to the latter and not as an exchangeable bond

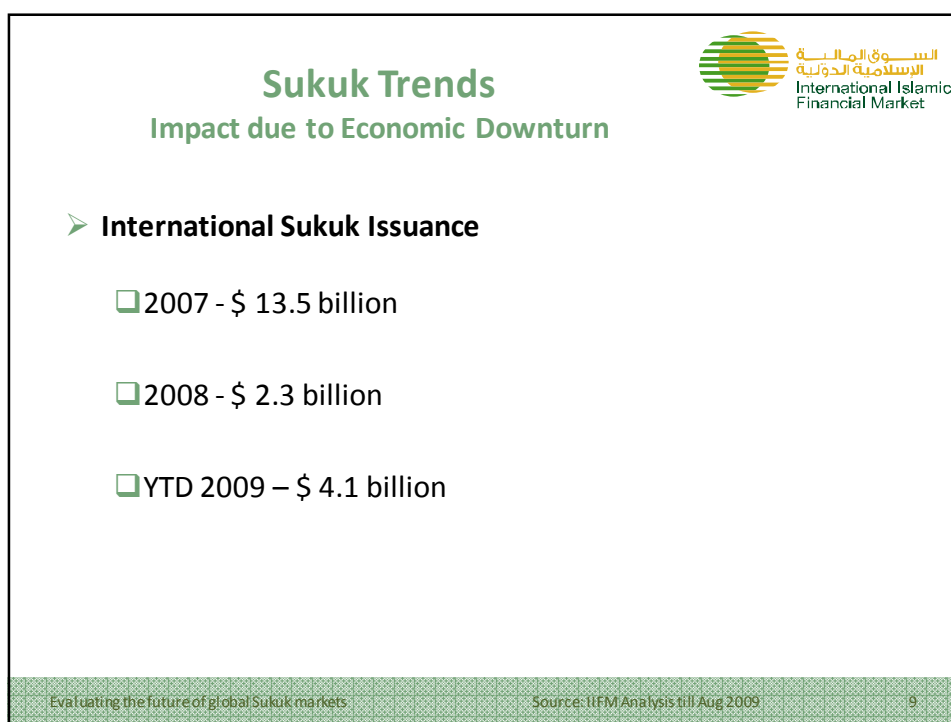
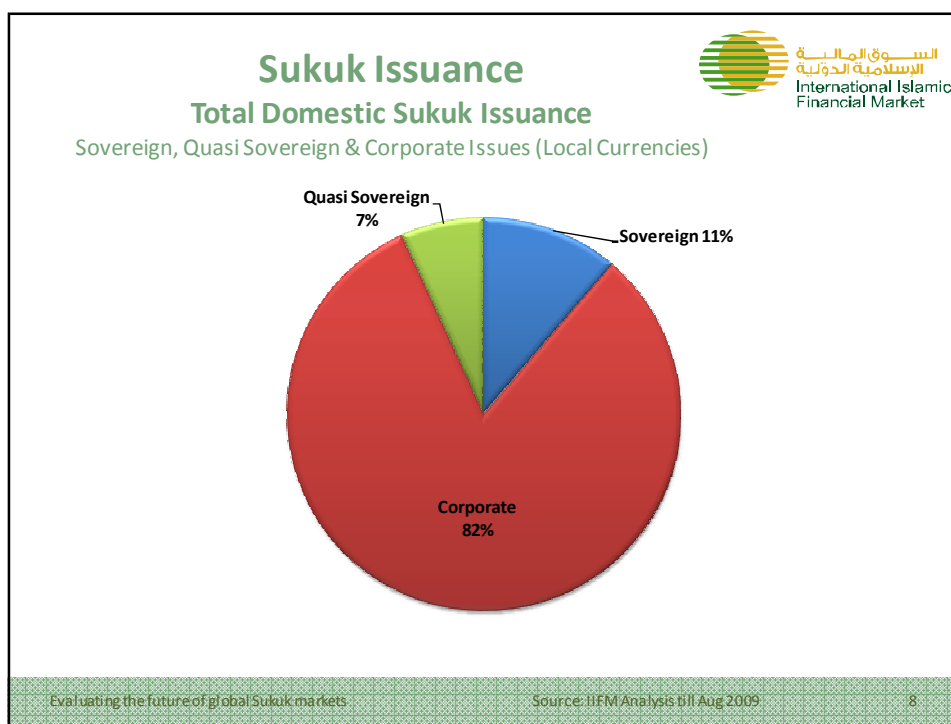
## Sukuk Issuance

### Total Global Sukuk Issuance (Domestic & Int'l) Sovereign, Quasi Sovereign & Corporate Issues (All Currencies)









## Sukuk Trends

### Shari'a Impact



#### Example GCC


- Gulf Holding Company \$190 million (Musharaka structure)
  - ❑ Adjustment due to AAOIFI
    - Purchase undertaking does not specify purchase price and linking of redemption and periodic profit payments to the projects profitability
    - Use of Standby Letter of Credit as a 'Security Package'

## Sukuk Trends

### Recent Developments



- **Call back of a portion of Sukuk**
  - ❑ Dubai Islamic Bank \$200million - Cash tender offer @ 88% of face value
- **Sukuk Issuance based on Reverse Enquiry**
  - ❑ Monetary Authority of Singapore
- **Domestic Retail Sukuk Issuance**
  - ❑ Indonesia
- **Islamic Government Investment Securities Issuances**
  - ❑ State Bank of Pakistan
- **Investment Sukuk Issuance**
  - ❑ Islamic Development Bank
- **Fixed Rate of Profit Issuances**
  - ❑ Bahrain, Indonesia and IFC Sukuk
- **Possible Revision of Payment Terms**
  - ❑ Nakheel



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## Sukuk Structures

### Lessons from Corporate Issuance

#### **Asset Based & Asset Backed**

- Are Sukuk holders investment pari pasu with other secured or unsecured creditors?
- Do Sukuk holders have title transfer?
- In case of Real Estate, is property freehold?

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## Sukuk Structures

### Lessons from Corporate Issuance

#### **Sukuk Default & Insolvency**

- Investment Dar (Kuwait)
- East Cameron (US)
- Golden Belt (Saudi Arabia)

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## Sukuk Structures

### Lessons from Corporate Issuance



#### Sukuk Standardization

➤ Financial crisis has prompted the industry to seriously consider standardization in Sukuk structures

##### □ Key Benefits

- Increases transparency
- Unification of best practices
- Investor's protection and right of ownership
- Corporate governance

## Sukuk – Journey Ahead

### Expected Future Global Issuance (Domestic & Int'l)


(Sovereign/Quasi Sovereign/Corporate)



Domicile	2008	Till Q3 2009	Total Announced
Bahrain	5,160	315	5475.3
Kuwait	3,300		3300
Saudi Arabia	2,264	3,031	5295
Qatar	1,525		1524.6
UAE	2,835	348	3183.2
Pakistan	484	5	488.69
Malaysia	1,150	2,183	3333
Indonesia	300	180	480
Kazakhstan	2,150		2150
Thailand		1,073	1073
Sri Lanka	5		5
Switzerland	73		73
Singapore		134	134.22
Turkey		1,000	1000
Cayman Islands		7,000	7000
Hong Kong		300	300
Canada		380	380
USA		100	100
<b>Total</b>	<b>19,246</b>	<b>16,049.00</b>	<b>35295.01</b>

## Sukuk – Journey Ahead

**Expected Future Global Issuance (Domestic & Int'l)**  
(Sovereign/Quasi Sovereign/Corporate)



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**Key Highlights**

- France's \$1billion Sukuk issuance intention
- Indonesia's auction based issuance
- UK's continued deliberation
- HKMA's interest

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## Sukuk – Journey Ahead

**Credit Risk, Asset Class & Structure**



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- Appetite for Sovereign/Quasi Sovereign
- Shift from Real Estate towards other asset classes
- Wakala-based Investment Structures

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## About IIFM

IIFM is a international development institution established and supported by the central banks/regulatory authorities of Bahrain, Brunei, Indonesia, Malaysia, Sudan, Pakistan, Dubai International Financial Centre and the Islamic Development Bank, Saudi Arabia. It is further strengthened by the involvement of a number of regional and international financial institutions as its members

The objective of IIFM is to take part in the establishment, development and promotion of the Islamic Capital and Money Market (ICMM)

IIFM's primary focus lies in the advancement and unification of the Islamic Financial Services Industry's documentation, wider market products, processes, infrastructure and recommendations for the enhancement of ICMM globally

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## About IIFM

- Market driven standard setting body with regulatory heritage
- Addressing the standardization needs of the IFSI
- Providing universal platform to market participants through 'Global Working Groups' for the development of ICMM
- Shari'a harmonization in documentation, wider market products & processes

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## About IIFM

### IIFM Standardization Initiatives



- IIFM Master Agreements for Treasury Placement (MATP) – completed
- IIFM Tahawwut (Hedging) Master Agreement – advanced stage
- Repurchase and Collateralization prospects – under consideration
- Other initiatives



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