



السوق المالية
الإسلامية الدولية
International Islamic
Financial Market

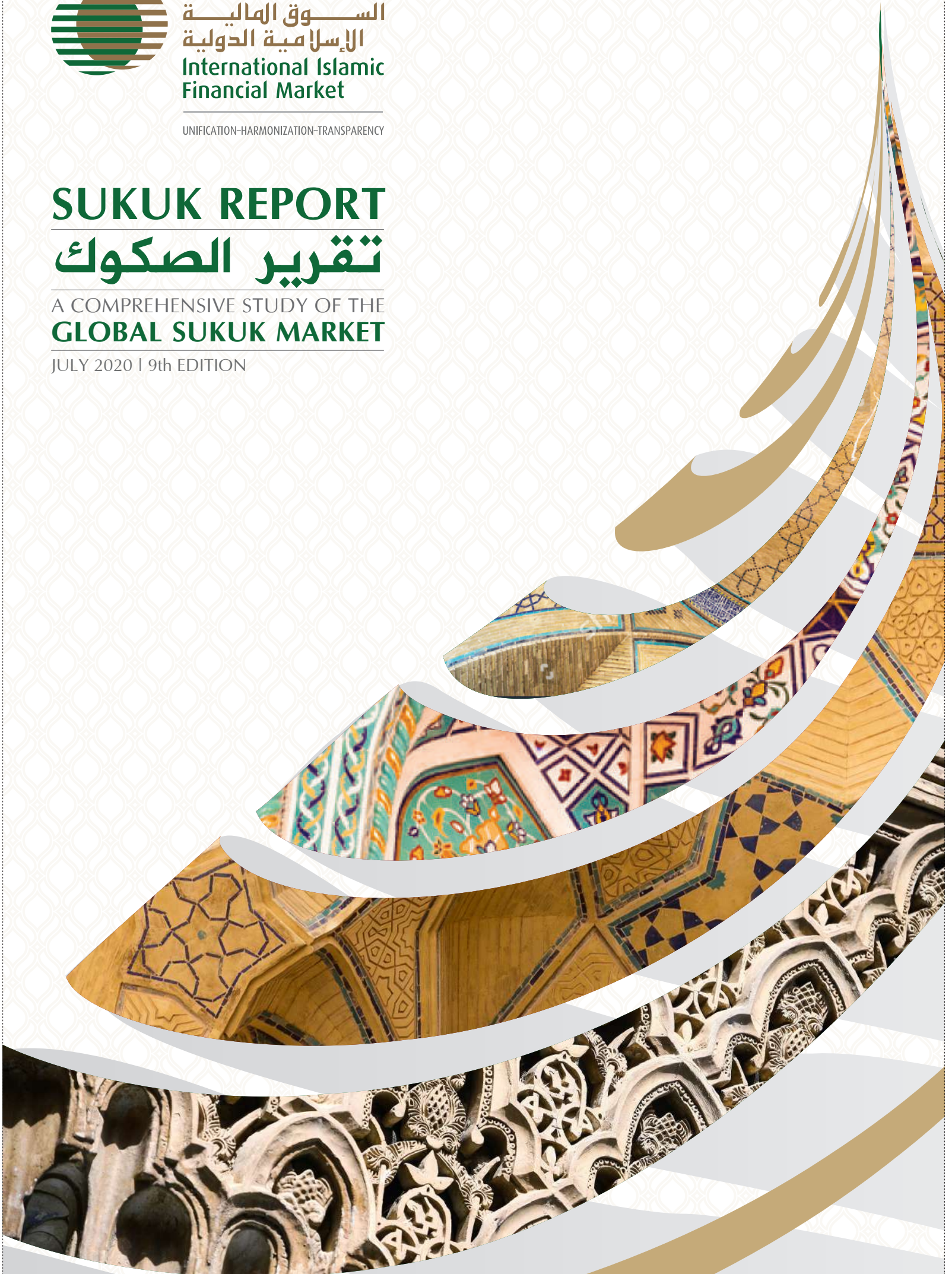
UNIFICATION-HARMONIZATION-TRANSPARENCY

SUKUK REPORT

تقرير الصكوك

A COMPREHENSIVE STUDY OF THE
GLOBAL SUKUK MARKET

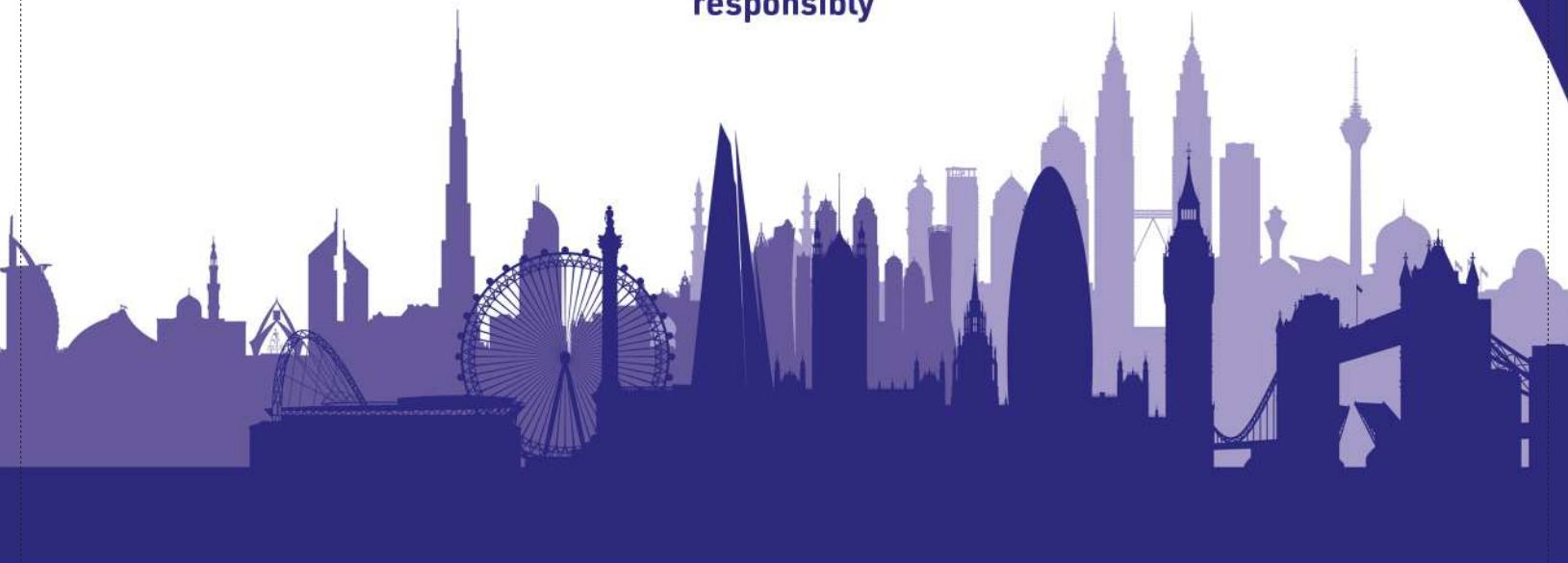
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the Entirely Merciful, the Especially Merciful.*

قاعدة فقهية

"الأصل في العقود رضا المتعاقدين، وموجبها ما أوجباه على أنفسهما بالتعاقد"

قال تعالى

"يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِنْكُمْ"
"وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا [النساء: 29]"

Islamic Legal Maxim:

"The general principle conferring validity of contracts is the consent of both parties, and the effective terms and conditions are what they agreed."

Allah (God) the Almighty says:

"O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful."

(Noble Qur'an: An -Nisa (The women) c4, V29)

About IIFM

IIFM is a standard-setting body of the Islamic Financial Services Industry (IFSI) focusing on standardization of Islamic financial contracts and product templates relating to the Capital & Money Market, Corporate Finance and Trade Finance segments of the IFSI.

IIFM which is based in Bahrain and hosted by the Central Bank of Bahrain (CBB), was established in 2002 under the Royal Decree No (23) Year 2002 of the Kingdom of Bahrain as a neutral and non-profit infrastructure development institution, by the collective efforts of the Islamic Development Bank, Autoriti Monetari Brunei Darussalam (formerly Ministry of Finance Brunei Darussalam), Bank Indonesia, Bank Negara Malaysia (delegated to Labuan Financial Services Authority), Central Bank of Bahrain (formerly Bahrain Monetary Agency) and the Central Bank of Sudan.

Besides the founding members, IIFM is also supported by certain regulatory and government bodies such as Dubai International Financial Centre Authority, State Bank of Pakistan, The National Bank of Kazakhstan and by a number of international and regional financial institutions active in Islamic finance as well as other market players.

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- United Gulf Bank
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All the information contained in this research report has been obtained from sources considered to be reliable. The Sukuk case studies presented are based on the author's impression of the structure of the mentioned Sukuk on the basis of information derived from the prospectuses, term sheets and news briefs on the Sukuk. While every effort has been made to ensure its accuracy, IIFM or the author/s makes no guarantee, representation or warranty as to its accuracy or completeness.

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Abstract

This research report scrutinizes the development, structural preferences and certain factors specific to international and domestic Sukuk market, with particular focus on 2019.

Over the years Sukuk has been a key driving force in the development of Islamic industry globally and the aim of this report is to create deeper understanding of Sukuk market through in depth analysis of Sukuk issuances, key trends and other relevant issues.

During the year the Sukuk market maintained its growth trajectory and the well established and regular Sukuk issuing jurisdictions like Malaysia, Saudi Arabia, UAE, Bahrain, Indonesia remained active issuers of Sukuk while relatively new entrant in certain African countries, increased Sukuk issuances in their domestic markets respectively. As the case last year, the bulk of domestic issuances were by sovereign and quasi sovereign entities.

The report also provides an overview of changing dynamics in the Sukuk market as well as it highlights the major global issuances during 2019. The report also sheds light on the outstanding Sukuk which is important from the secondary market perspective.

This can be used as a benchmark by all the industry stakeholders and decision makers, in particular, in new jurisdictions as well as regions which have a high concentration of the world's Sukuk issuances such as GCC countries and Asia, in their assessments of trends in the issuance of Sukuk across the globe.

Acknowledgment

The publication of this research report is made possible due to sponsorship support by Bank ABC Islamic, Labuan FSA, National Bank of Kuwait (Bahrain) and DDCAP Group.

We would also like to express our gratitude and thanks to institutions for sharing their pearls of wisdom, knowledge and experiences during the course of preparation of this comprehensive research report. We are also grateful to individuals and industry stakeholders who provided insight, comments and expertise which helped us in improving the quality of this report.

Indeed, this research report would not have been seen light without the support and contribution of such institutions, individuals and the industry stakeholders who provide us with invaluable information that helped us to complete this task through various stages.

We are extremely thankful in particular to Securities Commission Malaysia, State Bank of Pakistan, Bank Indonesia, Central Bank of Bahrain, Autoriti Monetari Brunei Darussalam and Capital Markets Board of Turkey for helping us in Sukuk issuance data verification process.

We take this opportunity to express our profound gratitude and deep regards to the Central Bank of Bahrain (CBB) for its constant and continued support. We would also like to acknowledge and thank IIFM Board of Directors, Founding Members and Members institutions for their unwavering and unreserved support to IIFM in its industry development endeavours. Lastly, IIFM is very much thankful to its research team for their review and valuable contribution to this research report.



In the Name of Allah, the Most Gracious, the Most Merciful

All praise is due to Allah the Lord of the worlds praise that befits Your majesty and sovereignty, peace and blessings be upon the prophet of mercy, Muhammad (peace be upon him) his pure family his noble companions, and all those who follow him.

CHAIRMAN’S FOREWORD



Khalid Hamad
CHAIRMAN – IIFM

It gives me great pleasure to present to you this comprehensive publication on the global Sukuk market. One of the key features of this 9th edition is the statistics and trend analysis based on verified Sukuk issuance data. The regular inclusion of case studies, articles and country focus reports provides valuable insights about the most popular Islamic capital market instrument.

2019 was a year of record global Sukuk issuance - USD 146 billion - an increase of 18.2% year-on-year. The longer tenor Sukuk issuance supported by sovereign and quasi-sovereign continued the upward trend of last year. The other positive development is the issuances by relatively new entrants such as Nigeria, Bangladesh and certain African countries. The entry of Egypt and the issuance of Formosa Sukuk from Taiwan during early 2020 are also worthy of highlighting.

The high volatility in Sukuk issuances globally from one year to the next is reflective of the concentrated nature of the market. Over 80% of the USD 551 billion outstanding Sukuk belong to just a handful of key markets, Malaysia, Indonesia and the GCC. This trend is slowly changing, however, as Pakistan, Turkey and select African countries are becoming more active.

Although the Sukuk market started the year 2020 on a positive note, the effects of the unprecedented COVID-19 pandemic started to negatively affect the global financial markets towards the end of Q1 and Sukuk is no exception. Going forward, once the firefighting phase of the pandemic settles down, we expect fundraising through Sukuk to resume as countries and institutions attempt to manage their liquidity in the face of shrinking fiscal space.

Sukuk’s commercial success should not lead us to ignore the underlying principles which are the differentiating factor with respect to conventional bonds. Sukuk are an innovative way to raise financing in a Shari’ah compliant manner and their risk sharing nature as well as strong link to the real economy should be emphasized to clearly distinguish them from the bonds.

With these humble submissions I leave you with the 9th edition of IIFM Global Sukuk Report 2019. Happy reading, and please do provide us with your feedback.



In the Name of Allah, the Most Gracious, the Most Merciful

All perfect praise is due to Allah and Allah's peace and blessings be upon His final Messenger his pure family his noble companions and all those who follow them with righteousness until the Day of Judgement.

CEO'S MESSAGE



Ijlal Ahmed Alvi
CEO – IIFM

The ongoing innovation in the Sukuk structures is continuing to change the dynamic of the industry especially in the area of Fin-tech and no doubt Sukuk market will benefit from these technological advancements. The financing through Sukuk to meet the social, educational and environmental goals are other supporting factors which presents huge potential to be realized in medium term. The issuance of Formosa Sukuk in 2020 out of Taiwan is also an interesting development and will promote the highly rated Sukuk issuances given the strict guidelines for such issuances.

Given the present unprecedented situation it is likely, that in a short term, corporate Sukuk in particular may come under pressure as this segment is generally takes the hardest hit from adverse economic conditions and there could be certain Sukuk which will eventually have to be restructured.

As I have stated in previous reports that the primary objective of this report is to provide information and analysis on the global Sukuk market while structuring and market related challenges should be tackled by standard setting organizations such as IIFM as well as other relevant standard setting organizations, regulators, Shari'ah Boards and experts including Scholars. In this respect, IIFM will soon be publishing Sukuk Al Ijarah and Sukuk Al Mudarabah documentation standards

The publication of this report is made possible due to the cooperation extended by a number of institutions and individuals from various jurisdictions which enabled IIFM to publish this report annually for the last 9 years!

I extend my profound gratitude to the Central Bank of Bahrain (IIFM host), Board of Directors, the report Sponsors, Members and Contributors of articles, case studies & country focus reports for their continued support and submissions. Special thanks to IIFM research team for ensuring the publication of report as planned despite unprecedented situation and challenges.

It is my sincere hope that the readers will find this report beneficial and a key source of reference.

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Introduction

Sukuk has maintained its appeal and positive trajectory in 2019 with growing interest from issuers and investors in various regions, financial hubs and new entrants. Sukuk listing and its inclusion by major Index providers has made this important instrument not only more appealing, but the preferred capital market instrument of the industry.

The key objectives of this report are to identify key trends in Sukuk issuances domestically and internationally as well as to highlight landmark issuances through case studies, in order to provide guidance to potential issuers & investors, as well as to provide technical information sharing through articles and country reports to gauge the types of Sukuk issued for portfolio allocation or liquidity management perspective. Moreover, the report also sheds light on factors which will further assist the development of Sukuk market in general.

The accuracy and verifiable Sukuk issuance data are essential to have a meaning full analysis on Sukuk market and the Sukuk issuance data is a key element and International Islamic Financial Market (IIFM) as a neutral standard setting organization is privileged to have support from regulators of major Sukuk issuance jurisdictions like Bahrain, Malaysia, Indonesia, Pakistan, Turkey, Brunei, Sudan etc., in Sukuk data verification process.

Moreover, the approach followed by the IIFM in preparing this report, is collating data from relevant research and literature, this includes prospectuses, publications, articles, magazines, online research and information service providers. The IIFM was able to include in its database some of the Sukuk issued on the basis of private placement, particularly from Indonesia and the Gulf Cooperation Council (GCC) countries. Subsequently, the collected Sukuk issuance Data was then filtered with respect to different criteria such as chronology, geographic distribution, issuer status, country of origin, etc. and depicted in the form of charts and tables for better understanding.

This research report is divided into five stand-alone chapters, in addition to this introduction and a conclusion. Chapter One gives an overview of worldwide Sukuk issuances over the period of January 2001 to December 2019. Chapter Two is an IIFM article series on Shari'ah rulings and regulations for Sukuk issuance. Chapter Three highlights selected Sukuk issuance case studies. Chapter Four comprises articles (written and prepared by institutions and jurisdictions). Chapter Five highlights on the Sukuk market in selected IIFM member countries.

In conclusion, this annual report on Sukuk issuances around the globe has been published by IIFM, to enable industry stakeholders, particularly governments and Islamic financial institutions, to make sound decisions regarding Sukuk issuance and policy formulation. The report also aims to guide and orient those interested in the Sukuk market from a research and educational perspective.

مقدمة

إن الصكوك قد حافظت على نمط نموها الإيجابي في عام 2019، مع اهتمام متزايد من جهات الإصدار والمستثمرين في مختلف المناطق والمراكز المالية والمشاركين الجدد في إصدار الصكوك. قد جعل إدراج وتضمين هذه الأداة المهمة (أي الصكوك) من قبل مزودي المؤشرات الرئيسيين ليس فقط أكثر جاذبية، بل المحرك المفضل لسوق رأس المال لهذه الصناعة.

إن الأهداف الرئيسية لهذا التقرير هي تحديد الاتجاهات الرئيسية في إصدارات الصكوك محلياً ودولياً ، فضلاً عن تسليط الضوء على الإصدارات الهامة من خلال دراسات الحالة ، وذلك من أجل تقديم التوجيه المهم للمصدرين والمستثمرين المحتملين ، فضلاً عن تقديم معلومات تقنية وفنية من خلال المقالات و تقارير الدول لقياس أنواع الصكوك الصادرة لتخصيص المحفظة أو إدارة السيولة . علاوة على ذلك ، يسلط التقرير الضوء على العوامل التي ستساعد في تطوير سوق الصكوك بصفة عامة.

من أجل تقديم معلومات دقيقة وإجراء تحليلات حول إصدارات الصكوك العالمية، تعتبر بيانات إصدار الصكوك عنصراً أساسياً، والسوق المالية الإسلامية الدولية (IIFM) بصفتها مؤسسة محايدة لوضع المعايير، تتمتع بامتياز الحصول على دعم من الجهات التنظيمية في السلطات القضائية الرئيسية لإصدار الصكوك في عملية التحقق من بيانات إصدارات الصكوك، مثل مملكة البحرين و ماليزيا واندونيسيا وباكستان وتركيا وبروناي و السودان وغيرها من السلطات القضائية المختلفة.

علاوة على ذلك ، فإن النهج الذي اتبعتها السوق المالية الإسلامية الدولية (IIFM) في إعداد هذا التقرير ، هو جمع البيانات من البحوث والأدبيات ذات الصلة ، وهذا يشمل النشرات، والمنشورات، والمقالات، والمجلات، والأبحاث عبر شبكة الإنترنت ومقدمي خدمات المعلومات. وقد تمكنت السوق المالية الإسلامية الدولية من تضمين قاعدة بياناتها بعض الصكوك الصادرة على أساس الاكتتاب الخاص، وخاصة من إندونيسيا ودول مجلس التعاون الخليجي. بعد ذلك تمت تصفية بيانات إصدار الصكوك المجموعة فيما يتعلق بمعايير مختلفة مثل التسلسل الزمني ، والتوزيع الجغرافي ، وحالة المصدر ، وبلد المنشأ ، وما إلى ذلك ، وتم وضعها في شكل مخططات أو رسوم بيانية وجداول لتحقيق فهم أفضل لها.

تم تقسيم هذا التقرير إلى خمسة فصول قائمة بذاتها ، بالإضافة إلى هذه المقدمة والخاتمة .يقدم الفصل الأول لمحة ونظرة عامة عن إصدارات الصكوك في جميع أنحاء العالم خلال الفترة من يناير 2001 إلى ديسمبر 2019. ويعرض الفصل الثاني سلسلة مقالات السوق المالية الإسلامية الدولية عن أحكام ومبادئ الشريعة الإسلامية لإصدار الصكوك ويسلط الفصل الثالث الضوء على دراسات حالة مختارة لإصدار الصكوك .ويتضمن الفصل الرابع مقالات (مكتوبة ومعدة من قبل المؤسسات والهيئات القضائية). و يسلط الفصل الخامس الضوء على سوق الصكوك في دول أعضاء مختارة في السوق المالية الإسلامية الدولية.

في الختام ، تم نشر هذا التقرير السنوي حول إصدارات الصكوك في جميع أنحاء العالم من قبل السوق المالية الإسلامية الدولية (IIFM) ، لتمكين أصحاب المصلحة في الصناعة ، وخاصة الحكومات والمؤسسات المالية الإسلامية ، من اتخاذ قرارات سليمة فيما يتعلق بإصدار الصكوك وصياغة السياسات. كما يهدف التقرير إلى توجيه وإرشاد المهتمين بسوق الصكوك من منظور بحثي وتعليمي.

ملخص تقرير صكوك عام 2019

فقد حافظت سوق الصكوك العالمية على جاذبيتها للمصدرين والمستثمرين على حد سواء، ويتضح ذلك من خلال الزيادة في حجم الإصدارات المحلية والدولية على الرغم من آجال استحقاقاتها الكبيرة نسبياً خلال عام 2019.

كما هو الحال في العام السابق، لا تزال المحركات الرئيسية لسوق الصكوك خلال العام هي: إصدارات من جهات قضائية راسخة ودخول العديد من المصدرين الجدد وإصدار صكوك المستوى 1 والمستوى 2 (صكوك متوافقة مع بازل 3) وصكوك مصدرة لفترة أطول (من 10 إلى 30 عاماً) بما في ذلك إصدارات صكوك دائمة من قبل المؤسسات المالية، وكذلك صكوك البنية التحتية بالإضافة إلى حجم أكبر نسبياً من إصدارات صكوك التجزئة خاصة من إندونيسيا.

إن الطلب المتزايد على الصكوك من دول مجلس التعاون الخليجي المتمثلة في مملكة البحرين والمملكة العربية السعودية والإمارات العربية المتحدة وسلطنة عمان والدول الإسلامية الأخرى مثل ماليزيا وإندونيسيا وتركيا وباكستان وبروناي دار السلام بالإضافة إلى البنك الإسلامي للتنمية والقارة الأفريقية، يظل القوة الرئيسية في الحفاظ على جاذبية ونمو سوق الصكوك.

كما هو موضح في هذا التقرير، في السنوات الأخيرة، أصدرت بانتظام العديد من الدول الإسلامية المذكورة أعلاه صكوك مرجعية في الأسواق المحلية والدولية وتعد مملكة البحرين وبروناي دار السلام وإندونيسيا وماليزيا وتركيا وبعض الدول الإفريقية من أكثر المصدرين بالإستمرار لصكوك قصيرة الأجل في عام 2019.

علاوة على ذلك، تبنت بعض السلطات القضائية، بما في ذلك البلدان الأفريقية، استراتيجية مملكة البحرين في إصدار صكوك قصيرة الأجل بانتظام لدعم متطلبات السيولة والاستثمار للمؤسسات المالية الإسلامية الموجودة في نطاق سلطتها.

علماً بأن الهيئة الإسلامية العالمية لإدارة السيولة (IILM) لا تزال مصدراً نشطاً للصكوك الدولية قصيرة الأجل، وهذا يقدم وسيلة بديلة لإدارة السيولة للمؤسسات المالية الإسلامية التي تنشط في السوق على المدى القصير وتبحث عن الأوراق المالية منخفضة المخاطر.

فقد ساهم إصدار المزيد من الصكوك الجديدة في نوعيتها وإعادة تمويل الصكوك المستحقة في الحفاظ على مسار حجم الصكوك بشكل إيجابي، ومن المتوقع أن يستمر هذا الاتجاه في عام 2020 نظراً إلى الإصدار القوي المتوقع في المستقبل. لاشك إن الحدث غير المسبوق لـ COVID 19 يهدد بالتأثير سلباً على إصدارات الصكوك وخاصة من قبل الشركات والمؤسسات المالية. ومع ذلك، من المتوقع أن تصدر الدول صكوكاً لتلبية عجز الميزانية المالية القصير الذي قد يدعم السوق بدوره.

قد تستمر المحاولة في استخدام الذهب في إصدار الصكوك من قبل الدول مثل ما تقوم به الخزنة التركية وكذلك إصدارات الصكوك المدعومة بالأصول على الرغم من أن الحجم قد يكون محدوداً نظراً للتوافر المحدود للأصول القابلة

للتحويل بالكامل والمسائل الهيكلية والتحديات القانونية وخاصة متطلبات نقل الملكية وكذلك إدارة مخاطر الأصول الأساسية في هذه المعاملة تحتاج إلى معالجة.

من المتوقع أن يستمر اتجاه إصدار الصكوك بمعدل ربح ثابت نظراً لحقيقة أن قاعدة المستثمرين تعد أكثر تنوعاً بكثير مقارنة بالسنوات الأولى من إصدار الصكوك عندما كان المستثمرون عمومًا مؤسسات مالية. وتقدم الصكوك الصادرة بمعدلات ربح ثابتة المزيد من فرص التداول وتساعد في تطوير سوق الصكوك الثانوية.

إصدارات الصكوك بالعملة غير المحلية ، مثل ، مصدر في دول مجلس التعاون الخليجي يصدر صكوكًا بالعملة الماليزية رينغيت أو شركة ماليزية تصدر صكوكًا بالدولار السنغافوري أو اليوان الصيني إلخ.، لم تتم مثل هكذا معاملات في عام 2019 كما كان الحال في عام 2018. ويعد إصدار صكوك فارموسا من تايوان في يناير 2020 تطوراً إيجابياً على الرغم من أن نطاق هذه الإصدارات يبدو محدوداً بسبب المتطلبات الصارمة بما في ذلك التصنيف العالي للمصدر بالإضافة إلى التسعير في سوق تبادل العملات. علاوة على ذلك ، يعد أول إصدار صكوك للشركات من مصر في يناير 2020 تطوراً إيجابياً آخر و إضافة مرحب بها لسلطة قضائية جديدة في سوق الصكوك.

يبدو أن تطبيق قانون دود فرانك لتحصيل 5% من قبل الجهة المصدرة في حالة إصدار الصكوك الدولية الصادرة عن حكومة المملكة العربية السعودية بقيمة 9 مليارات دولاراً أمريكياً في عام 2017 كان حدثاً لمرة واحدة لأنه لم يتم الإبلاغ عن أي معاملة من هذا النوع في عام 2019.

خلال عام 2019 ، ظلت حصة الإصدارات السيادية في السوق المحلية قوية، وقد ساهمت بنسبة 59% من إجمالي قيمة الإصدارات وتليها إصدارات المؤسسات المالية وشبه السيادية والمؤسسات المالية الإسلامية بنسبة 15% و 14% و 12% على التوالي. وقد بقيت أسهم قطاع الشركات باستثناء الحكومة الماليزية، أقل من إمكاناتها المتوقعة في حجم الإصدار.

في عام 2019 ، كانت الإصدارات شبه السيادية في السوق الدولية قوية نسبياً بإصدار بلغ 41% (15.93 مليار دولار أمريكي) في حين كانت مساهمة الإصدارات السيادية 30% مقابل مساهمة 2018 بنسبة 28%. وقد ارتفعت إصدارات المؤسسات المالية إلى 16% (6.27 مليار دولار أمريكي) من إصدارات 2018 البالغة 11% (3.71 مليار دولار أمريكي) بينما انخفضت إصدارات الشركات إلى 13% (4.93 مليار دولار أمريكي) من إصدارات 2018 البالغة 21% (6.76 مليار دولار).

على أساس تراكمي للفترة من 2001 إلى 2019 ، واصلت ماليزيا الاحتفاظ بمركزها الأول في إصدارات الصكوك سواء كانت محلية أو دولية بقيمة 733.75 مليار دولار وتليها المملكة العربية السعودية بـ 146.29 مليار دولار وإندونيسيا بـ 98.91 مليار دولار والإمارات 88.69 مليار دولار.

وتواصل ماليزيا بسبب قوة سوق رأس المال لديها ، الحفاظ على ريادتها على نظيراتها في آسيا ودول مجلس التعاون الخليجي. ومع ذلك ، فإن الزيادة في الإصدارات من كل من مملكة البحرين والمملكة العربية السعودية وإندونيسيا والإمارات العربية المتحدة وتركيا وغيرها تؤدي إلى تخفيض الحصة الماليزية في سوق الصكوك العالمية في السنوات الأخيرة.

في عام 2019 ، على الصعيد الدولي ، حافظ هيكل صكوك الوكالة على صدارته مقارنة لهيكل صكوك الإجارة والهياكل الأخرى باعتباره الأكثر استخدامًا من قبل المصدرين في السوق الدولية بحصة تبلغ 56% (21.75 مليار دولار أمريكي) في السوق مما أدى إلى زيادة بنحو 6%. وتليت ذلك صكوك الإجارة بتراجع حصتها في السوق إلى 11% (4.21 مليار دولار أمريكي) ثم صكوك المضاربة 9% (3.5 مليار دولار أمريكي) بينما ارتفع صكوك الهجينة المربحة / المضاربة ، وصكوك الإجارة / المربحة الهجينة، إلى 8% (3 مليار دولار أمريكي ، 12% (4.6 مليار دولار أمريكي) على التوالي. وبلغت حصة الصكوك الهجينة للوكالة والمضاربة وكذلك صكوك المربحة 1% (0.30 مليار دولار أمريكي) و 3% (1.10 مليار دولار أمريكي).

في عام 2019 ، على الصعيد المحلي ، ظلت صكوك المربحة هي الهيكل الأكثر استخدامًا مع انخفاض حصتها السوقية من هذا الهيكل إلى 30% (32.20 مليار دولار أمريكي) مقارنة بـ 41% (37.44 مليار دولار أمريكي) العام الماضي وتليها صكوك الإجارة بنسبة 20% ، (21.20 مليار دولار) ثم صكوك الهجينة مربحة / مضاربة وصكوك الوكالة وصكوك المضاربة وصكوك وكالة مربحة هجينة بنسبة 17% (18.70 مليار دولار أمريكي) ، 12% (12.5 مليار دولار أمريكي) ، 11% (دولار أمريكي) 12.10 مليار دولار) و 5% (4.90 مليار دولار أمريكي) على التوالي. إن عام 2019 قد أوجد هياكل متوازنة إلى حد ما ، وهو أمر مرغوب ومشجع لسوق الصكوك حيث تم معالجة المخاوف والقلق من الاعتماد على هيكل معين.

في عام 2019 ، أغلق إصدار الصكوك الدولية عند حوالي 38.40 مليار دولار أمريكي من إصدارات الصكوك مقارنة بـ 32.90 مليار دولار أمريكي في 2018. ويبلغ حجم إصدارات الصكوك الدولية قصيرة الأجل في 2019 و 2018 إلى 9.03 مليار دولار أمريكي و 8.10 مليار دولار أمريكي على التوالي ، مما يعني أن إصدارات الصكوك الطويلة الأجل بلغت 29.50 مليار دولار أمريكي و 24.90 مليار دولار أمريكي على التوالي.

وقد زادت الصكوك الدولية المستحقة غير المسددة إلى حوالي 144.00 مليار دولار أمريكي وهو ما يمثل تحسنا عن العام الماضي ؛ على الرغم من أن فجوة العرض والطلب لا تزال قائمة.

وهناك العديد من إصدارات الصكوك العالمية البارزة من مملكة البحرين وماليزيا والمملكة العربية السعودية وتركيا والإمارات العربية المتحدة وإندونيسيا وغيرها ، في طور الإعداد لعام 2020 ، وهو مؤشر واضح على أن سوق الصكوك هي أكثر أنواع الأدوات بعد سوق رأس المال على الرغم من أنه يمكن أن يكون هناك التباطؤ الاقتصادي بسبب وباء

COVID 19. وهناك احتمالية متزايدة ، وفقًا لآراء الخبراء والتقارير المختلفة ، أن تظل أحجام سوق الصكوك خاصة للشركات والمؤسسات المالية الدولية منخفضة خلال الجزء الأول من العام.

فيما يتعلق بأسواق الصكوك المحلية ، فقد بلغت إصدارات الصكوك خلال عام 2019 ما قيمته 107.20 مليار دولار أمريكي مقارنة بـ 90.00 مليار دولار أمريكي في 2018. وقد حافظت ماليزيا على حصة مسيطرة من حيث الحجم والقيمة ، ولا تزال هي أكبر مصدر صكوك محلية بنسبة 50.45% (54.09 مليار دولار).

وقد بدأت تظهر دول مثل مملكة البحرين (البحرين واصلت إصداراتها الدورية للصكوك ، وخاصة الصكوك قصيرة الأجل وشهدت أيضا العديد من الإصدارات التاريخية) وإندونيسيا والمملكة العربية السعودية وباكستان وقطر وتركيا كرواد المحتملين في إصدارات الصكوك المحلية.

فقد أصبح سوق الصكوك المحلية في عدد من الولايات القضائية نشطًا ، لا سيما المملكة العربية السعودية وإندونيسيا وتركيا وعدد قليل من الدول الأخرى. وتقدم البنوك المركزية طرقًا للمصارف الإسلامية والمستثمرين الآخرين لاستثمار فائض السيولة لديها في برامج الصكوك الحكومية المصممة لتقديم فرص متكافئة للمؤسسات المالية الإسلامية. علاوة على ذلك ، تقوم بنشاط عدد من الدول مثل غامبيا وساحل العاج والسنغال ومالي والمغرب وبنغلاديش بتطوير أسواق الصكوك المحلية الخاصة بها.

وقد بلغ إجمالي الصكوك المحلية المستحقة في عام 2019 حوالي 407.00 مليار دولار أمريكي ، وهو ما يمثل مرة أخرى بحوالي 46 مليار دولار عن العام السابق. إن حجم الإصدارات في السنوات الأخيرة آخذ في الارتفاع معظمها من المؤسسات السيادية وشبه السيادية ، ومن المتوقع أن تكون إصدارات عام 2020 في الغالب من قبل الدول وإلى حد ما من قبل شبه سيادية في حين أن إصدارات الشركات و المؤسسات الإسلامية للصكوك قد تظل غير واضحة.

لا يزال الدولار الأمريكي هو العملة المفضلة لجذب المستثمرين الدوليين حول العالم. سوف تتطور الصكوك الصادرة بالعملة المحلية في السنوات القادمة مع قيام المزيد من دول منظمة المؤتمر الإسلامي بتطوير أسواق الصكوك المحلية الخاصة بها. يتشكل هذا الاتجاه في إندونيسيا وتركيا وباكستان وإفريقيا ودول مجلس التعاون الخليجي التي تصدر صكوك بالعملة المحلية. وتهيمن الكيانات السيادية أو المرتبطة السيادية حاليًا على الإصدار في هذه البلدان ، وسيستمر هذا التدفق ، نظرًا لأن الاحتياجات السيادية لتمويل ميزانيتها مع وضع مرجعية محلية وتمويل مشاريع البنية التحتية الضخمة.

بلغت استحقاقات الصكوك الدولية عبر الحدود في عام 2019 ما قيمته 15.5 مليار دولار أمريكي في حين أن أجال استحقاقات الصكوك خلال عامي 2020 و 2021 ستكون 10.50 مليار دولار أمريكي و 16.08 مليار دولار أمريكي على التوالي ، ويجب استبدالها.

وبلغت الاستحقاقات المحلية في عام 2019 ما مقداره 22.60 مليار دولار أمريكي ، في حين أن استحقاق عامي 2020 و 2021 سيصل إلى حوالي 23.30 مليار دولار أمريكي و 20.90 دولارًا أمريكيًا على التوالي والتي يجب استبدالها.

تعد الصكوك قصيرة الأجل ذات أجل الاستحقاق لعام واحد أو أقل ضرورية وأساسية في تطوير أسواق عمليات بين المصارف الإسلامية وتلعب هذه الصكوك دورًا رئيسيًا في إدارة السيولة للمؤسسات المالية. في عام 2019 ، كانت الدول المصدرة الرئيسية لإصدار هذا النوع من الصكوك قصيرة الأجل هي مملكة البحرين و ماليزيا واندونيسيا وتركيا وبروناي دار السلام وعدد قليل من البلدان الإفريقية. إن سوق الصكوك قصيرة الأجل ، على الرغم من اقتصادها على عدد قليل من السلطات القضائية ، تقدم إصدارات متوازنة من مختلف السلطات القضائية. بالإضافة إلى ذلك فإن دخول الهيئة الإسلامية لإدارة السيولة (ILLM) في سوق الصكوك الدولية قصيرة الأجل يساعد أيضًا على تطوير هذا السوق المهم.

إن الرغبة في إصدار الصكوك قصيرة الأجل عالية ومرتفعة، وربما أعلى من الصكوك ذات الأجل الطويلة ، وهذا واضح من خلال هذه الإصدارات. ويتحسن الاتجاه نحو إصدار صكوك قصيرة الأجل على الرغم من أنها مدفوعة بشكل رئيسي من قبل المصدرين السياديين. وهناك حاجة لأن تصبح المؤسسات والشركات المالية الإسلامية جهات إصدار نشطة للصكوك من أجل تقديم التنوع للأسواق المحلية ، والتي تعد أساسية وضرورية في تطوير سوق المال.

هناك جانب مهم آخر، وهو أمر حاسم وبالغ الأهمية لتطوير سوق الصكوك ، ألا وهو دور قطاع الشركات. كما هو مذكور في الجزء التحليلي لهذا التقرير ، فإن حجم إصدارات الشركات في معظم مناطق إصدار الصكوك (باستثناء ماليزيا) أقل من الإمكانيات. فمن أسباب ضعف أداء قطاع الشركات في إصدار الصكوك الظروف الاقتصادية ، والسياسات الحكومية تجاه قطاع معين ، وقضايا التدفق النقدي ، والحوافز الضريبية وغير ذلك من الأسباب ذي الصلة. علاوة على ذلك ، يمكن أن يكون الوضع الحالي الناجم عن جائحة Covid - 19 سببًا آخر في عام 2020.

إن أهم قضية تتعلق وتحيط بصكوك الشركات هي التخلف عن السداد (أي التقصير) وإعادة الهيكلة التي كانت مدعاة للقلق خلال الأزمة الاقتصادية العالمية لعام 2008 وقد تظهر مرة أخرى نظرا للتباطؤ الاقتصادي المتوقع.

تستمر سوق الصكوك في التطور ، وقد شهد في السنوات الأخيرة اعتمادًا مبالغًا فيه على هياكل معينة للصكوك مثل الوكالة والمراوحة ، ويجب مراقبة هذا التطور بشكل خاص ، لأن السوق صكوك العالمية في أمس الحاجة الى التنوع في الهياكل. علاوة على ذلك ، تحتاج سوق الصكوك أيضًا إلى المزيد من إصدارات الصكوك المدعومة بالأصول ، وربما يمكن إدخال هيكल السندات المغطاة لإصدار الصكوك أيضًا.



CHAPTER 1



OVERVIEW OF THE GLOBAL **SUKUK MARKET**

1.1 A Record Year of Sukuk Market

The aim of this Chapter is to provide analysis and trends in the Global Sukuk market during the year 2019. Moreover, the report also aims to briefly cover the recent situation caused by the pandemic and its negative implication on global financial system which in turn may momentarily alter the positive direction *Sukuk* market was showing during first two months of 2020.

The Global *Sukuk* market closed the year 2019 with a record issuances and a handsome gain of around 18.32% (USD 145.70 Billion) and the factors which enabled the Sukuk market to witness a strong positive growth trajectory were the positive outlook of the global economy, relatively stable commodity prices including oil, continuation of increase in Sovereign Sukuk issuances, improvement in Corporate Sukuk issuances in certain jurisdictions while the Sukuk issuance pipeline for 2020 was indicating towards another record year for the *Sukuk* market.

Furthermore, *Sukuk* continued to gain attention from new issuers, issuance of Formosa Sukuk from Taiwan and issuance of *Sukuk* by a corporate from Egypt during January 2020 as well as increasing investor base are all encouraging developments. During the year Sukuk were issued, as a viable alternative source of financing, for infrastructure development, project financing, corporate general-purpose needs, capital adequacy, budgetary and fiscal requirements of sovereign, liquidity management purpose etc.

The integration of environmental, social and governance (ESG) considerations into investment mandates is also expected to drive the development of Green & SRI *Sukuk* offerings. While *Sukuk* issuance to support financing needs of Small & Medium Enterprise (SME), Sukuk issuance via blockchain and the advent of Formosa *Sukuk* are expected to provide positive impetus to the *Sukuk* market.

There were several events during 2019 which can be noted as landmark events such as private sector led issuance from various jurisdictions and increase in activity from countries such as Nigeria, Pakistan, Bangladesh etc., moreover, the continued interest from well-established sovereign, quasi sovereign and financial institutions issuers such as Governments of Malaysia, Bahrain, Indonesia, Turkey, Pakistan, Oman, Saudi Arabia, United Arab Emirates and Islamic Development Bank which has kept the *Sukuk* market active.

Among the major *Sukuk* issuing jurisdictions particularly Indonesia, Malaysia and Saudi Arabia provided strong momentum and contributed in keeping the growth trajectory of *Sukuk* issuance intact. It is interesting to note that during 2019 Saudi Arabia financed over 50% of its fiscal deficit through *Sukuk* issuances.

Moreover, Saudi Arabia, Indonesia, Malaysia, Pakistan, Bahrain and Turkey are expected to increase the share of domestic *Sukuk* to meet their fiscal deficit financing and infrastructure development requirements.

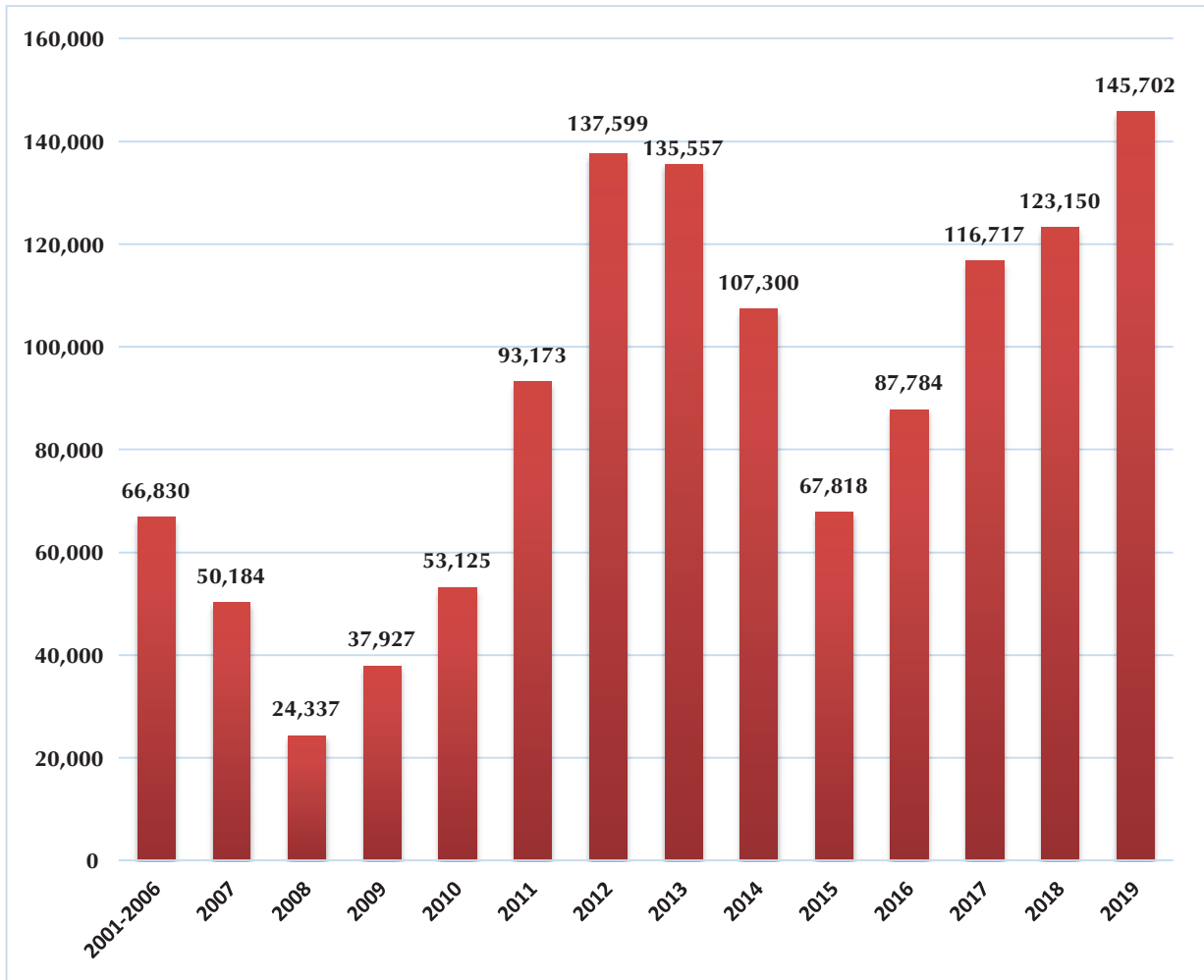
The issuances of short term *Sukuk* by number of jurisdictions from Far East, GCC, Africa, Asia, IILM, Turkey, Bangladesh etc., enable the positive growth of around 13.29% p.a. (USD 39.80 billion) in the short term Sukuk issuances during 2019 as compared to 2018 (USD 35.134 billion) which provided much needed support to Islamic financial institutions to meet their liquidity management and investment requirements.

The first two months of 2020 were encouraging in terms of *Sukuk* market; however, as reported in the various financial reports and media the present situation caused by COVID-19 pandemic may result into negative implications to the global financial services industry including *Sukuk* market.

1.2 Global *Sukuk* Issuances

Total global issuance amounted to USD 145.70 billion in 2019. This is the highest value of yearly Sukuk issuance ever since its first launch in 2001. As illustrated in Chart 1 A below, global Sukuk issuance has shown an increase of around 18.32% p.a. or USD 123.15 billion in 2018 to USD 145.70 billion in 2019. The steady issuance volume during 2019 was mainly due to sovereign Sukuk issuances from Asia, GCC, Africa and certain other jurisdictions while Malaysia continue to dominate the Sukuk market though share of countries like Indonesia, UAE, Saudi Arabia and Turkey increased with good volume.

CHART 1A: TOTAL GLOBAL SUKUK ISSUANCES (JAN 2001 - DEC 2019) - ALL TENORS, ALL CURRENCIES, IN USD MILLIONS



➤ Total Global Sukuk Issuance USD USD 1.247 Trillion

Source: IIFM Sukuk database

The following Table 1 gives a clear picture on the selected value leaders Global Sukuk issuances during 2019:

Table 1: Selected Value Leaders - Global *Sukuk* Issuances and Trends (USD 500 Million or >, Tenor > 1 Year)

Issue Year	Issuer	Issuance Currency	USD Million or Equivalent	Tenor (Years)
2019	Aldar Investment Properties	USD	500	10
2019	Almarai Company	USD	500	5
2019	Arabian Centres	USD	500	6
2019	Central Bank of Bahrain	USD	1,000	8
2019	Dar Al Arkan	USD	600	5
2019	DP World	USD	1,000	10

Continued...

2019	Dubai Islamic Bank	USD	750	5
2019	Dubai Islamic Bank	USD	750	Perpetual
2019	Emaar Properties	USD	500	10
2019	Emirates Strategic Investments Company	USD	600	5
2019	First Abu Dhabi Bank	USD	850	5
2019	Flydubai	USD	500	5
2019	Government of Malaysia	MYR	1,955	21
2019	Government of Qatar	QAR	1,080	5
2019	Government of Sharjah	USD	1,000	7
2019	Government of Sultanate of Oman	OMR	520	7
2019	Islamic Development Bank (Green Sukuk)	Euro	1,102	5
2019	Islamic Development Bank	USD	1,500	5
2019	Majid Al Futtaim Green Sukuk	USD	600	10
2019	Masraf Al Rayan	USD	500	5
2019	Ministry of Finance Indonesia	IDR	1,499	3
2019	Ministry of Finance Indonesia	USD	1,250	10
2019	Ministry of Finance Saudi Arabia	SAR	2,466	30
2019	Ministry of Finance Saudi Arabia	USD	2,500	10
2019	Power Holding Private Limited	PKR	1,280	10
2019	Qatar International Islamic Bank	USD	500	5
2019	Qatar Islamic Bank	USD	750	5
2019	Saudi Telecom	USD	1,250	10
2019	Sharjah Islamic Bank	USD	500	Perpetual
2019	Ministry of Finance Turkey	TRY	1,292	2
2019	Ministry of Finance Turkey	Euro	1,984	2
2019	Ministry of Finance Turkey	USD	2,000	3
2019	Urusharta Jamaah Sendirian Berhad	MYR	3,300	10
2019	Warba Bank	USD	500	5

Source: IIFM Sukuk database

As seen among the hallmark issuances, the year 2019 was once again led by sovereigns and quasi-sovereigns in terms of issuance. The pace of Corporate and IFIs Sukuk issuances, especially in countries outside of Malaysia showed improvement for example Indonesia and Turkey while corporate issuances remained below potential.

A standardized mechanism for Shari’ah compliant foreign currency hedging, developed jointly by IIFM & ISDA, is facilitating the issuers to issue Sukuk in other jurisdictions without exposing the Sukuk holders to foreign exchange and rate of return mismatch risk. Moreover, IIFM’s soon to be published Sukuk Al Ijarah & Sukuk Al Mudarabah documentation standards will also help in providing greater transparency, robust documentation, legal certainty and Shari’ah harmonization.

The trend of fixed rate Sukuk issuances started over ten years ago has continued in 2019 and it is expected it will continue as the indication from developed countries central banks is pointing towards low to zero rates to spur the economies.

Following are landmark Fixed Profit Rate Sukuk Issuances during 2019:

Table 2: Landmark Fixed Rate Sukuk Issuances (USD 500 Million or >, Tenor > 1 Year)

Issue Year	Issuer	Type of Issued Sukuk	Issuance Currency	International / Domestic	Sukuk Structure	USD Million or Equivalent	Rate of Return	Tenor (Years)
2019	Aldar Investment Properties	Corporate	USD	International	Sukuk Al Wakalah	500	3.875	10
2019	Almarai Company	Corporate	USD	International	Hybrid Sukuk - Ijarah/Murabahah	500	4.311	5
2019	Arabian Centres	Corporate	USD	International	Hybrid Sukuk - Murabahah/Mudharabah	500	5.375	6
2019	Central Bank of Bahrain	Sovereign	USD	International	Hybrid Sukuk - Ijarah/Murabahah	1,000	4.5	8
2019	Dar Al Arkan	Corporate	USD	International	Hybrid Sukuk - Ijarah/Murabahah	600	6.75	5
2019	DP World	Quasi-Sovereign	USD	International	Sukuk Al Wakalah	1,000	3.88	10
2019	Dubai Islamic Bank	FIs	USD	International	Sukuk Al Mudharabah	750	6.25	Perpetual
2019	Emaar Properties	Corporate	USD	International	Sukuk Al Murabahah	500	3.875	10
2019	Emirates Strategic Investments Company	Corporate	USD	International	Sukuk Al Wakalah	600	3.93	5
2019	First Abu Dhabi Bank	FIs	USD	International	Sukuk Al Wakalah	850	3.875	5
2019	Government of Sharjah	Sovereign	USD	International	Hybrid Sukuk - Ijarah/Murabahah	750	3.234	10
2019	Government of Sultanate of Oman	Sovereign	OMR	Domestic	Sukuk Al Ijarah	520	5.5	7
2019	Islamic Development Bank	Quasi-Sovereign	USD	International	Sukuk Al Wakalah	1,500	2.843	5
2019	Islamic Development Bank (Green Sukuk)	Quasi-Sovereign	Euro	International	Sukuk Al Wakalah	1,102	0.037	5
2019	Majid Al Futtaim Green Sukuk	Corporate	USD	International	Sukuk Al Murabahah	600	4.638	10
2019	Masraf Al Rayan	FIs	USD	International	Sukuk Al Mudharabah	500	3.025	5

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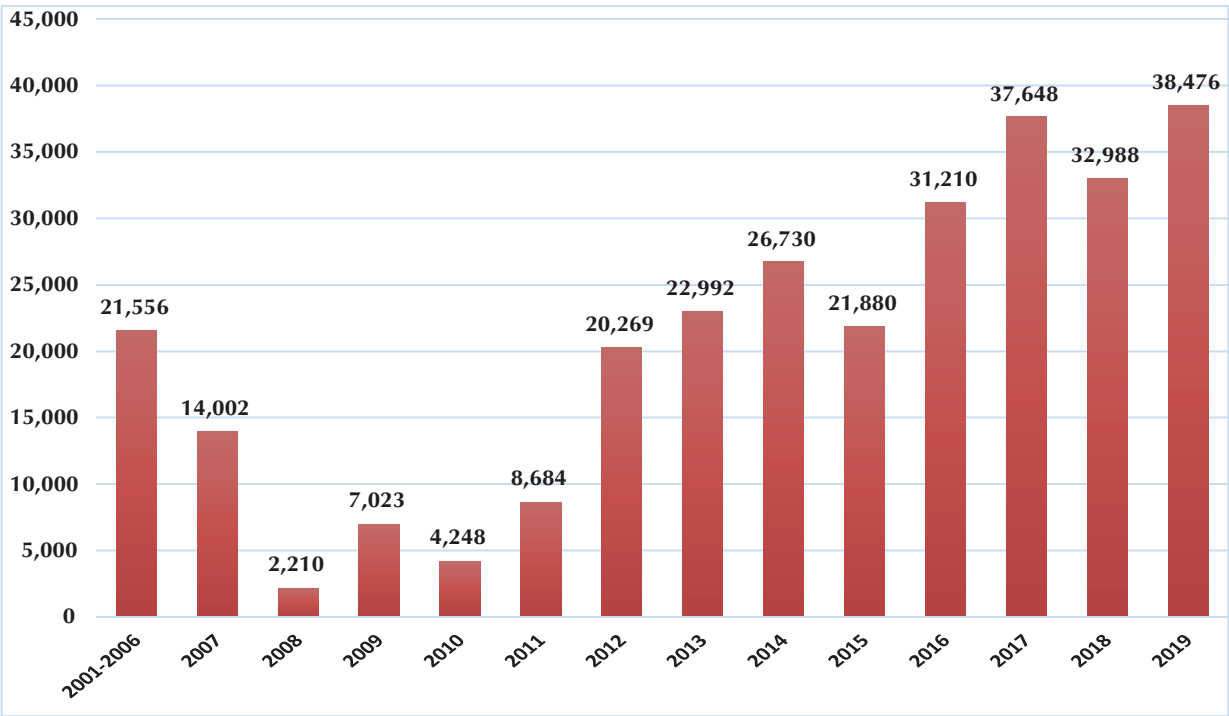
2019	Ministry of Finance Indonesia	Sovereign	USD	International	Sukuk Al Wakalah	1,250	4.45	10
2019	Ministry of Finance Indonesia	Sovereign	IDR	Domestic	Sukuk Al Ijarah	1,499	8.05	3
2019	Ministry of Finance Saudi Arabia	Sovereign	SAR	Domestic	Hybrid Sukuk - Murabahah/Mudharabah	2,466	4.64	30
2019	Ministry of Finance Turkey	Sovereign	USD	International	Sukuk Al Ijarah	2,000	5.8	3
2019	Ministry of Finance Turkey	Sovereign	Euro	International	Sukuk Al Ijarah	1,984	1.45	2
2019	Power Holding Private Limited	Corporate	PKR	Domestic	Sukuk Al Ijarah	1,280	13.25	10
2019	Qatar International Islamic Bank	FIs	USD	International	Sukuk Al Wakalah	500	4.264	5
2019	Qatar Islamic Bank	FIs	USD	International	Sukuk Al Wakalah	750	3.982	5
2019	Saudi Telecom	Quasi-Sovereign	USD	International	Sukuk Al Mudharabah	1,250	3.89	10
2019	Sharjah Islamic Bank	FIs	USD	International	Sukuk Al Mudharabah	500	5	Perpetual
2019	Warba Bank	FIs	USD	International	Sukuk Al Wakalah	500	2.98	5

Source: IIFM Sukuk database

1.3 INTERNATIONAL SUKUK ISSUANCES

Total international Sukuk issuances stood at USD 38.476 billion in 2019 which translate into an increase of USD 5.49 billion or positive 16.63% from 2018 level of USD 32.988 billion; the year 2019 is the by far the record year where highest value of Int'l Sukuk issuance recorded since the inception of the Sukuk market.

Chart 1B: TOTAL INTERNATIONAL SUKUK ISSUANCES - (JAN 2001 - DEC 2019)
ALL TENORS, ALL CURRENCIES, IN USD MILLIONS

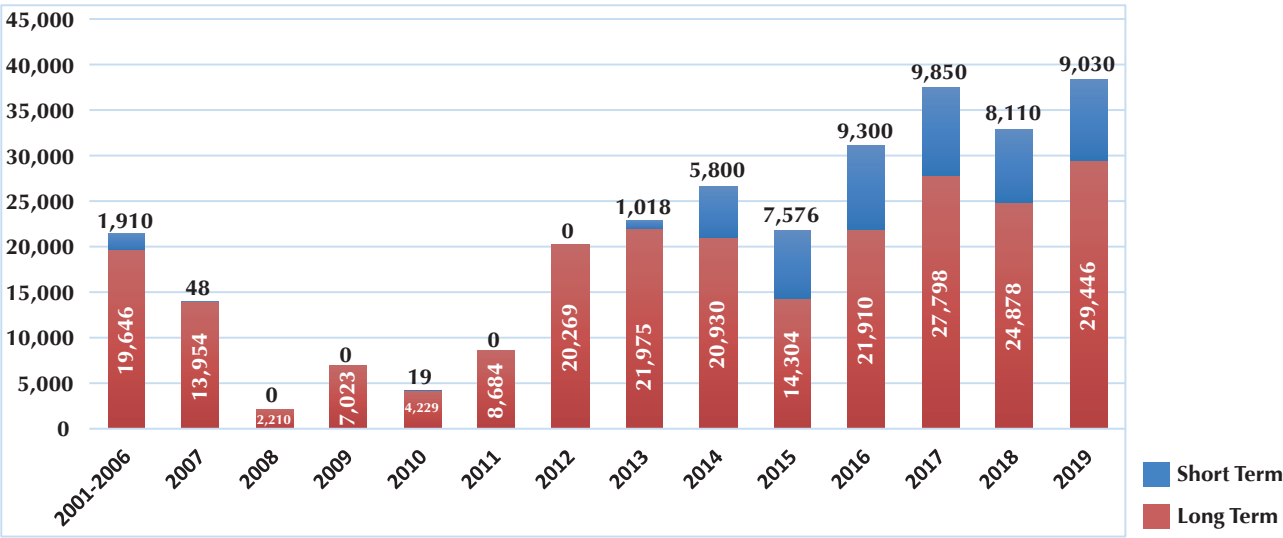


Total International Sukuk Issuance USD 289.92 Billion

Source: IIFM Sukuk database

The Sukuk issuances by sovereign, quasi-sovereign and to some extent by corporates and financial institutions mainly from GCC, Indonesia and Malaysia have contributed an increase of volumes hence surpassing the previous year by record volume.

Chart 1B (i): TOTAL INTERNATIONAL LONG-TERM VS. SHORT-TERM SUKUK ISSUNACES (JAN 2001 - DEC 2019) - ALL TENORS, ALL CURRENCIES, IN USD MILLIONS



Source: IIFM Sukuk database

The breakdown of long term versus short term *Sukuk* issuances can be assessed from the above Chart 1B (i) where in 2019 USD 29.4 Billion long term *Sukuk* were issued against USD 9.03 Billion short term *Sukuk* which is in percentage term the ratio works out to be around 76.53% versus 23.47%.

There were no Non-Local Currency *Sukuk* issued in a jurisdiction by a foreign issuer during 2019 though Formosa *Sukuk* issuance in January 2020 is an interesting development while high credit rating requirements may keep such issuance to limited volume.

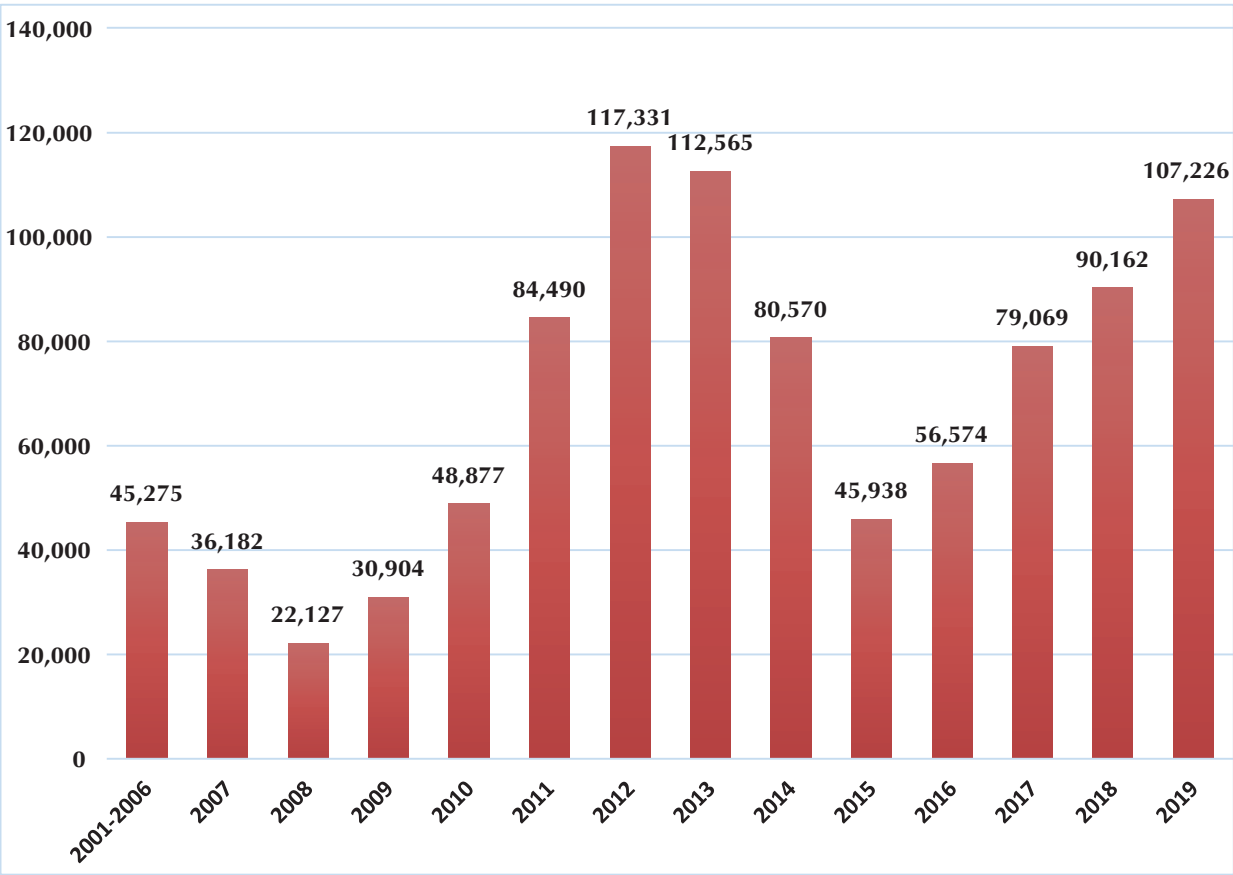
A few milestones achieved in the international *Sukuk* market in the year 2019 are as follows:

- a) Islamic Development Bank (Green *Sukuk*) Euro 1 billion (USD 1.1 billion) *Sukuk Al Wakalah*
- b) Ministry of Finance Saudi Arabia USD 2.5 billion Hybrid *Sukuk Murabahah/Mudharabah*
- c) DP World USD 1 billion *Sukuk Al Wakalah*
- d) Saudi Telecom USD 1.25 billion *Sukuk Al Mudharabah*
- e) Ministry of Finance Indonesia USD 1.25 billion *Sukuk Al Wakalah*
- f) Ministry of Finance Turkey Euro 1.8 billion (USD 1.98 billion) *Sukuk Al Ijarah*

1.4 Domestic Sukuk Issuances

Chart 1 C below shows the domestic Sukuk issuances have strongly increased from their 2018 level of USD 90.16 billion to USD 107.26 billion or around positive 18.92%; the biggest chunk of this increase is coming from the Malaysian market contribution of USD 54.00 billion followed by Saudi Arabia USD 18.90 billion, Indonesia USD 17.30 billion and Turkey USD 8.80 billion.

Chart 1C: TOTAL DOMESTIC SUKUK ISSUANCES (JAN 2001 - DEC 2019)
- ALL TENORS, ALL CURRENCIES, IN USD MILLIONS

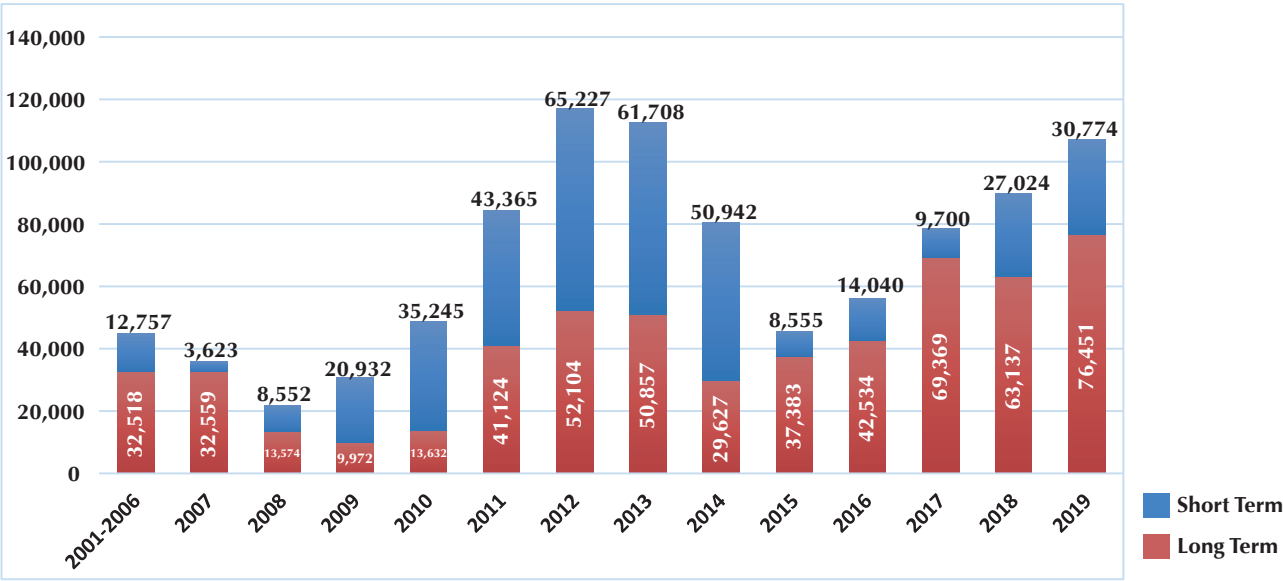


► Total Domestic Sukuk Issuance USD 957.28 Billion

Source: IIFM Sukuk database

If we analyze the domestic issuances ex-Malaysia, there was a rise in the domestic Sukuk issuances from the rest of the world with domestic issuances ex-Malaysia standing at approximately USD 53.00 billion in 2019 as against USD 42.00 billion in 2018. Among the major players in the domestic market outside of Malaysia are Saudi Arabia, Indonesia, Bahrain, Qatar and Turkey.

Chart 1C (i): TOTAL DOMESTIC LONG-TERM VS. SHORT-TERM *SUKUK* ISSUANCES (JAN 2001 - DEC 2019) ALL TENORS, ALL CURRENCIES, IN USD MILLIONS



Source: IIFM Sukuk database

The breakdown of long term versus short term *Sukuk* issuances can be assessed from the above Chart 1C (i) where in 2019 USD 76.45 Billion long term *Sukuk* were issued against USD 30.77 Billion short term *Sukuk* which is in percentage term the ratio works out to be around 71.30% versus 28.70%.

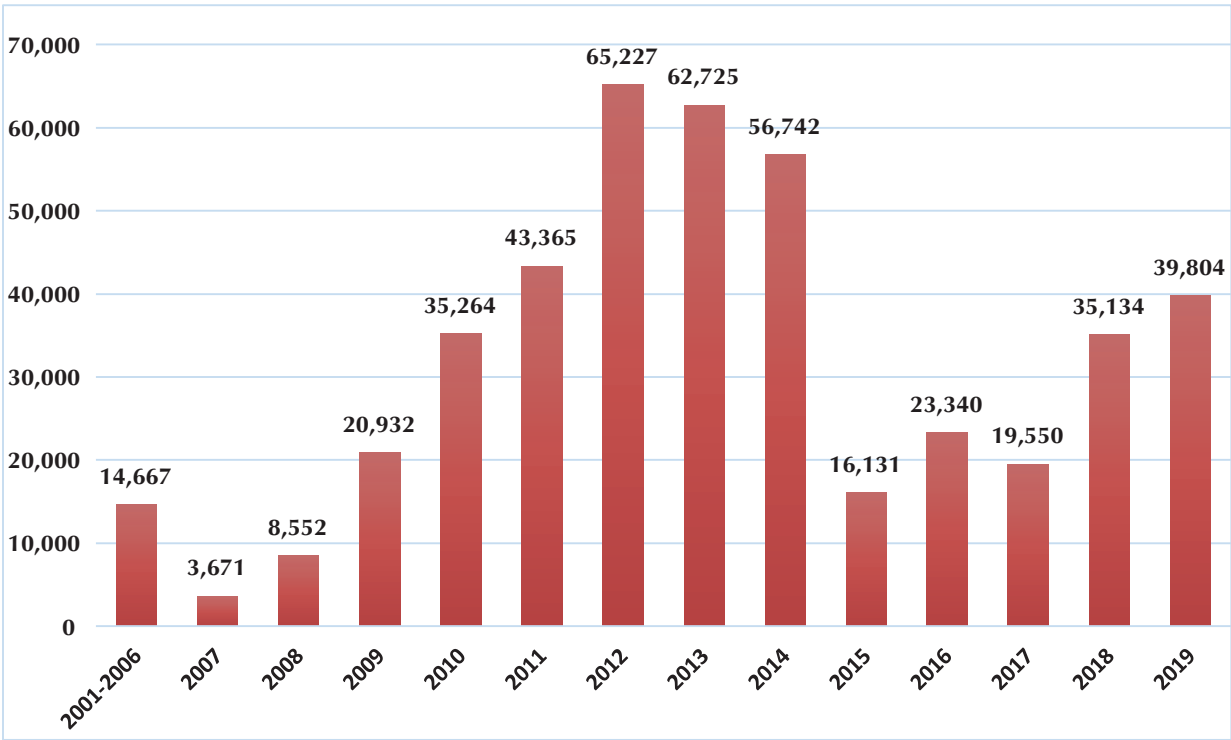
A few milestones achieved in the domestic *Sukuk* market in the year 2019 are as follows:

- a) Ministry of Finance Saudi Arabia SAR 9.2 billion (USD 2.46 billion) Hybrid *Sukuk Murabahah/Mudharabah*
- b) Government of Qatar QAR 4 billion (USD 1.08 billion) *Sukuk Al Wakalah*
- c) Urusharta Jamaah Sendirian Berhad MYR 14.3 billion (USD 3.3 billion) *Sukuk Al Mudharabah*
- d) Power Holding Private Limited PKR 200 billion (USD 1.28 billion) *Sukuk Al Ijarah*
- e) Ministry of Finance Turkey TRY 7,601 billion (USD 1.29 billion) *Sukuk Al Ijarah*

1.5 Short Term *Sukuk* Market

Short term *Sukuk* with maturity of 1 year or less are indispensable in meeting liquidity needs of Islamic financial institutions. As shown in Chart 2A below, ‘total global short term *Sukuk* issuance’ since the inception of the *Sukuk* market stands at USD 445.1 billion. During 2019 short term *Sukuk* issuance was USD 39.8 billion against 2018 issuance of USD 35.14 billion which translate into a slight increase of USD 4.6 billion or around positive 12.4% p.a. of short term *Sukuk* issuances from IIFM and a number of jurisdictions led by Malaysia as a major short term *Sukuk* issuer.

**Chart 2A: TOTAL GLOBAL SHORT TERM *SUKUK* ISSUANCES (JAN 2001 - DEC 2019)
- ALL CURRENCIES, TENOR 12 MONTHS OR LESS, IN USD MILLIONS**



Total Global Short Term Sukuk Issuance USD 445.1 Billion

Source: IIFM Sukuk database

Malaysia has been the clear value leader in the short tenor Sukuk market and its market share of the total ‘global short term Sukuk issuances’ from 2001-2019 is again slightly reduced to 83.30% (USD 370.75 Billion) against market share of 85.20% (USD 342.30 billion) for 2001-2018 period. Other regular issuers in the short-term market had been Indonesia, Sudan, Gambia, Bahrain, Brunei and Turkey, however this group of issuers have formed around 16.17% of the total short term market since the beginning.

The International Islamic Liquidity Management (IILM), also based in Malaysia, started its short term issuances in the year 2013, moving some of the share of the short term market from Malaysian sovereign category to quasi-sovereign category. The government of Indonesia stepped up its Sukuk issuance while Turkey started issuing IFI (Financial Institutions) as well as sovereign short term Sukuk. However, even with the advent of new issuers, Malaysia’s share of the short term Sukuk market including IILM during 2019 remain dominant with the total market share of around 66.89% (USD 26.60 billion).

The following table shows the regional break-up of total short-term Sukuk issuance since 2001:

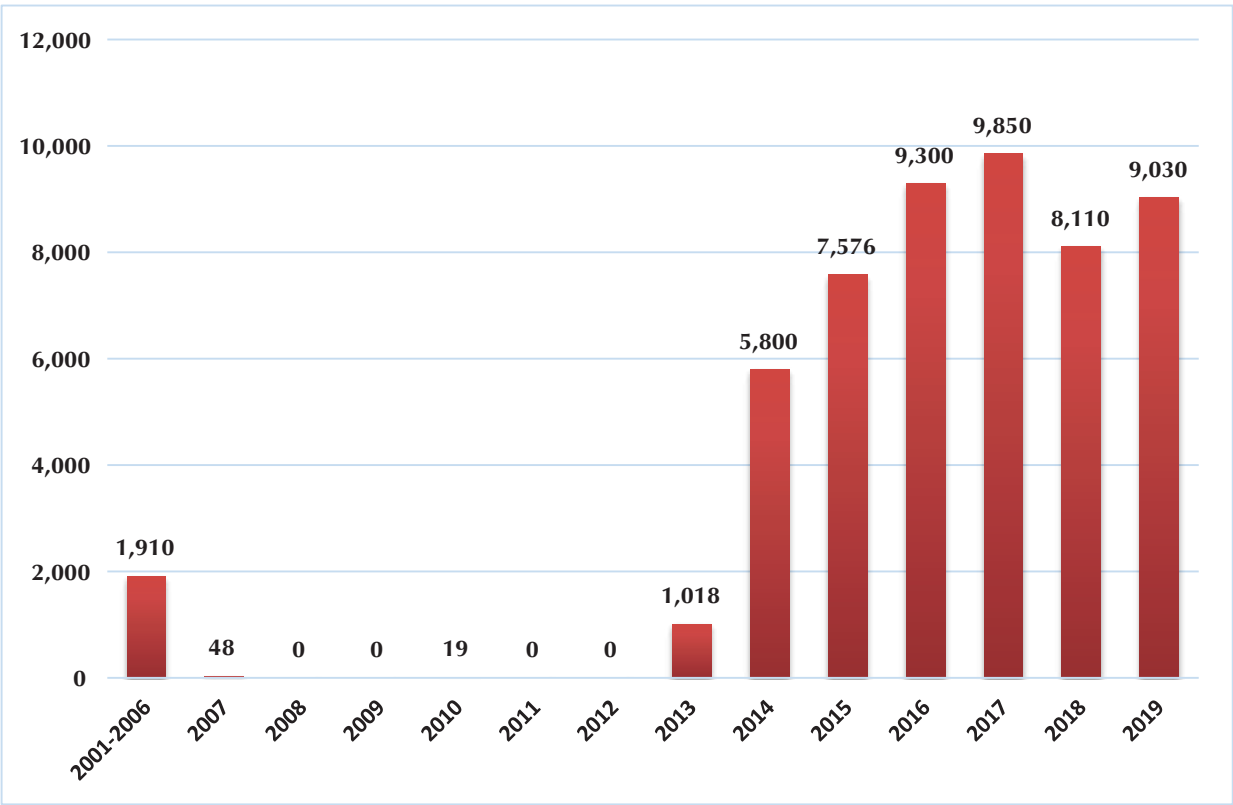
Table 3: Total Global Short Term *Sukuk* Issuances – All Currencies ≤ 12 Months (Jan 2001 – Dec 2019)

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Bangladesh	6	59	0.01%
Brunei Darussalam	173	10,949	2.46%
Indonesia	97	10,578	2.38%
Malaysia	3,283	370,755	83.30%
Pakistan	14	341	0.08%
Singapore	3	221	0.05%
Total	3,576	392,903	88.3%
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	361	17,847	4.01%
Oman	1	130	0.03%
Saudi Arabia	6	1,301	0.29%
United Arab Emirates	1	100	0.02%
Yemen	1	234	0.05%
Total	370	19,612	4.4%
AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Gambia	363	389	0.09%
Sudan	21	16,520	3.71%
Total	384	16,910	3.8%
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
Turkey	473	15,682	3.52%
Total	473	15,682	3.52%
Grand Total	4,803	445,106	100%

Source: IIFM Sukuk database

Chart 2B on the next page shows the international short term Sukuk issuance of USD 9.03 billion during 2019. The short-term market had mainly been domestic until 2013, as can be seen in the chart below. International issuances (hard currency issuances) only picked at the advent of IILM which is now regularly issuing USD based short term Sukuk for the purpose of liquidity management in various short-term tenors. The international issuances between 2001 and 2006 belong almost entirely to the Government of Bahrain issuing short term USD Sukuk through the Central Bank of Bahrain (CBB), which it discontinued from 2008. The Government of Bahrain is still a prolific issuer in the short-term market, but it only issues domestic currency Sukuk like Brunei, Malaysia, Indonesia, Turkey and certain African countries.

CHART 2B: TOTAL INTERNATIONAL SHORT TERM *SUKUK* ISSUANCE ≤ 12 MONTHS (JAN 2001 – DEC 2019, USD MILLIONS)

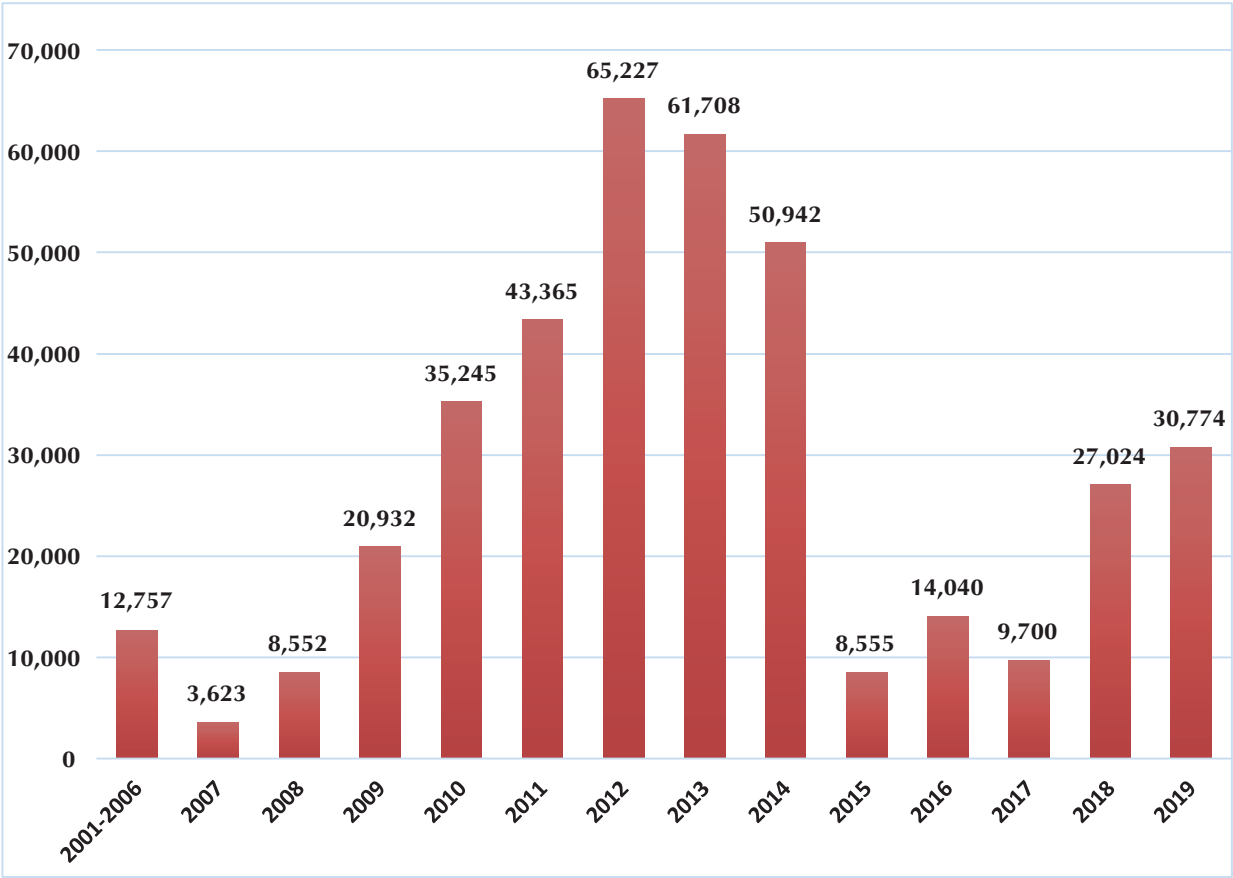


➤ **Total International Short Term Sukuk Issuance USD 52.66 Billion**

Source: IIFM Sukuk database

Chart 2C on the next page shows that domestic short-term issuances where there is an improvement of USD 3.75 billion in 2019 as compare to USD 15.73 billion in 2018 which was mainly issuances from Malaysia, Bahrain, Brunei and few other jurisdictions including from Africa historically, in the years 2009-2014, witnessed the highest volume of domestic Short Term Sukuk issuances and the same volume of issuances is not yet achieved though there is a potential given the entry of several new jurisdictions.

Chart 2C: TOTAL DOMESTIC SHORT TERM *SUKUK* ISSUANCE ≤ 12 MONTHS (JAN 2001 – DEC 2019, USD MILLIONS)



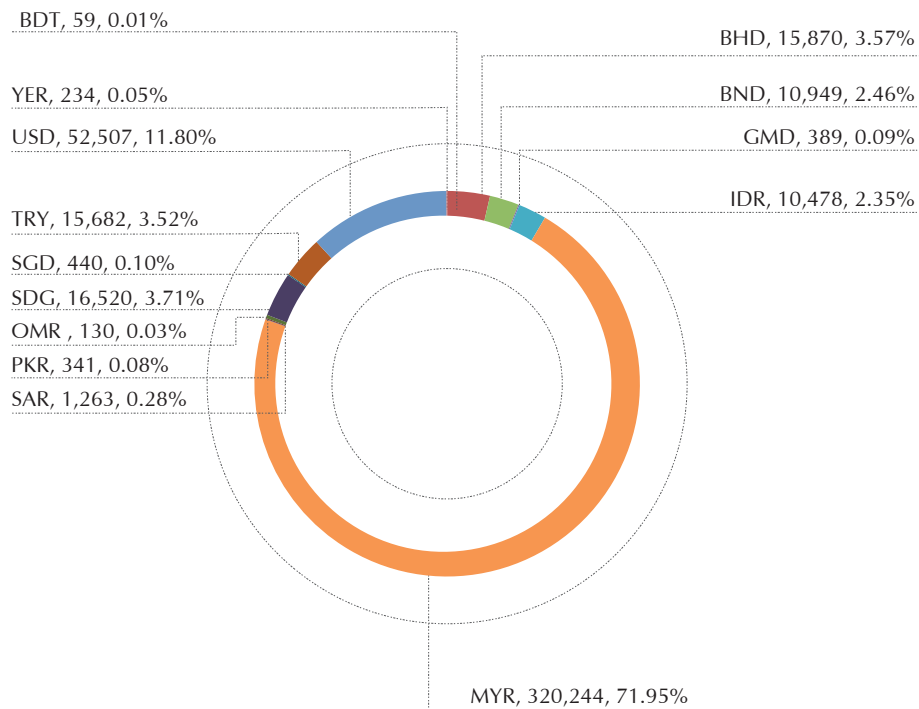
Total Domestic Short Term Sukuk Issuance USD 392.44 Billion

Source: IIFM Sukuk database

It is interesting to note that during 2001-2014 period, the short term market was clearly dominated by domestic issues and all domestic issuances were overshadowed by issuances from Malaysia. However, starting 2015 the short term market started balancing where the market share of International Short Term Sukuk works out to be around 23% of total issuances in 2019.

The currency wise break-up of issuances is explained in Chart 2D (A) on the next page.

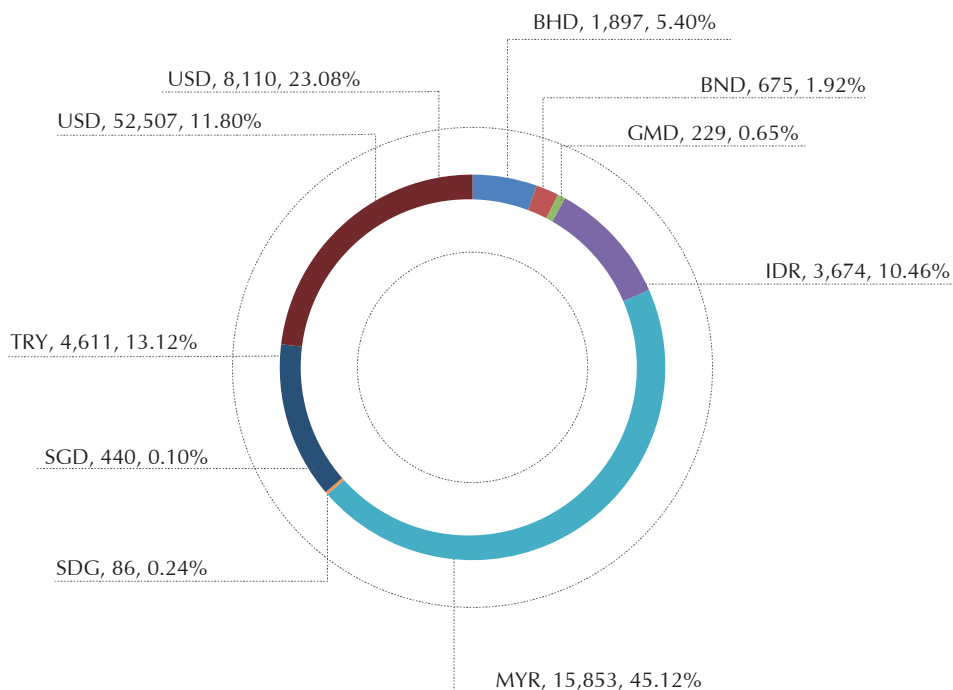
Chart 2D (A): GLOBAL SHORT TERM *SUKUK* ISSUANCES ≤ 12 MONTHS, CURRENCY BREAK-UP (JAN 2001- DEC 2019, AMOUNT IN USD MILLIONS)



Source: IIFM Sukuk database

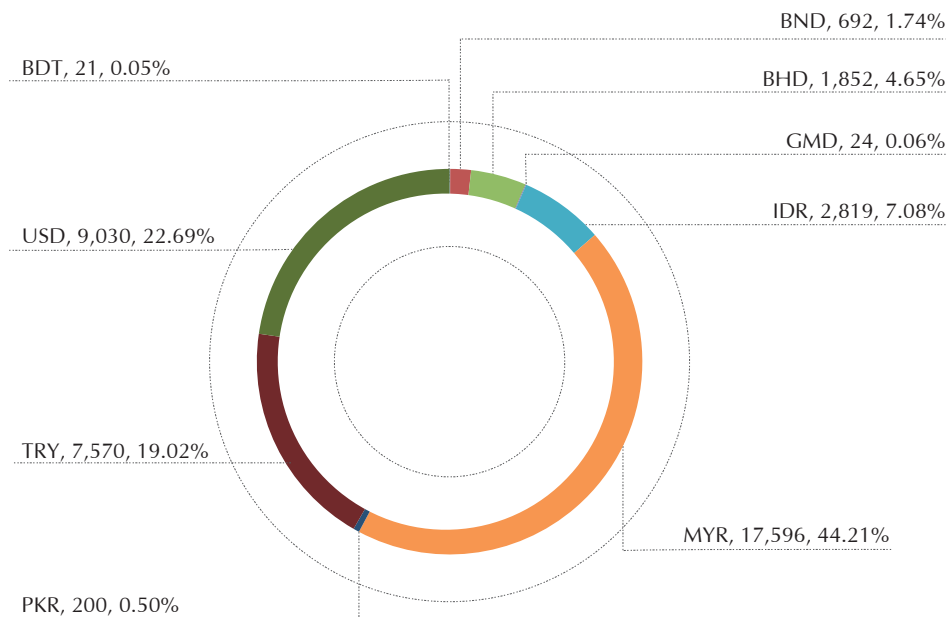
As explained in Chart 2D (B) & Chart 2D (C) on the next page provide snapshot of the global short term market during 2018 & 2019 where Malaysian Ringgit again leads the currency break-up with market share of around 44.21% and 45.12% respectively US Dollar, Turkish Lira, Indonesian Rupiah, Bahraini Dinar and others.

Chart 2D (B): GLOBAL SHORT TERM *SUKUK* ISSUANCES ≤ 12 MONTHS, CURRENCY BREAK-UP FOR THE YEAR 2018, AMOUNT IN USD MILLIONS



Source: IIFM Sukuk database

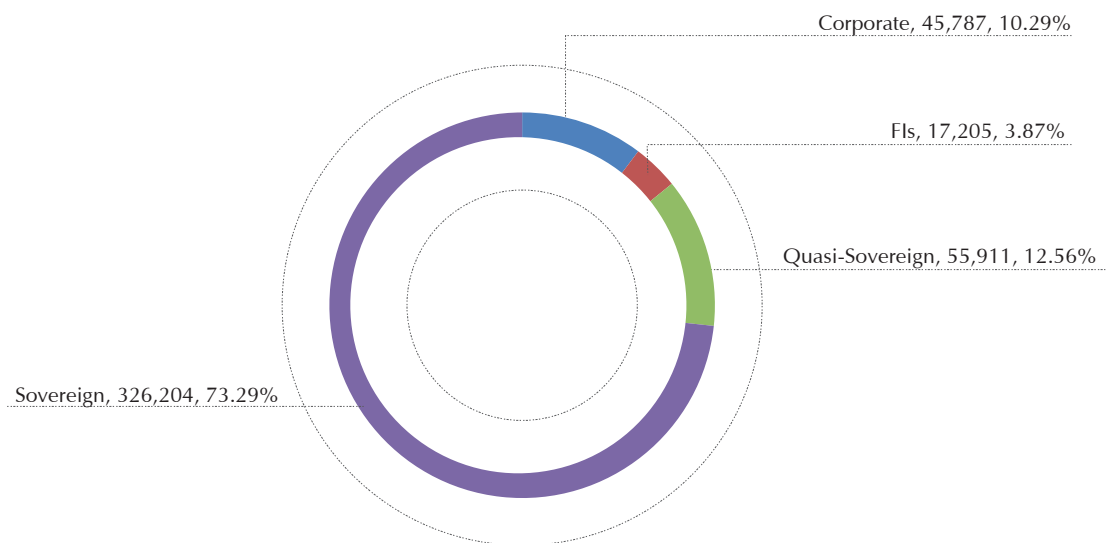
CHART 2D (C): GLOBAL SHORT TERM SUKUK ISSUANCES ≤ 12 MONTHS, CURRENCY BREAK-UP FOR THE YEAR 2019, AMOUNT IN USD MILLIONS



Source: IIFM Sukuk database

Chart 2E (A) below presents the short term Sukuk issuances since inception by Sovereign, Quasi Sovereign, Corporate and Financial Institutions. Sovereign issuances maintain leading the pack followed by Quasi Sovereign which explain why support from the governments is so critical especially in the development of short term Sukuk market.

Chart 2E (A): GLOBAL SHORT TERM SUKUK ISSUANCES ≤ 12 MONTHS, ISSUER TYPE (JAN 2001- DEC 2019, AMOUNT IN USD MILLIONS)



Source: IIFM Sukuk database

Chart 2E (B) & Chart 2E (C) below provides information on issuances from Sovereign, Quasi Sovereign, Corporate and IFI during 2018 and 2019 respectively:

Chart 2E (B): GLOBAL SHORT TERM SUKUK ISSUANCES ≤ 12 MONTHS, ISSUER TYPE, FOR THE YEAR 2018, AMOUNT IN USD MILLIONS)

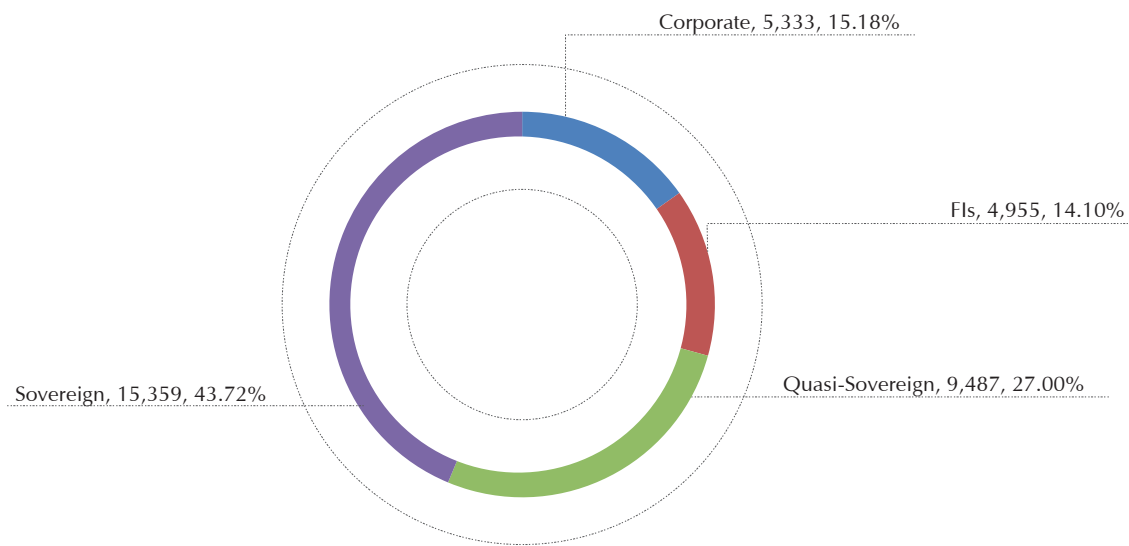
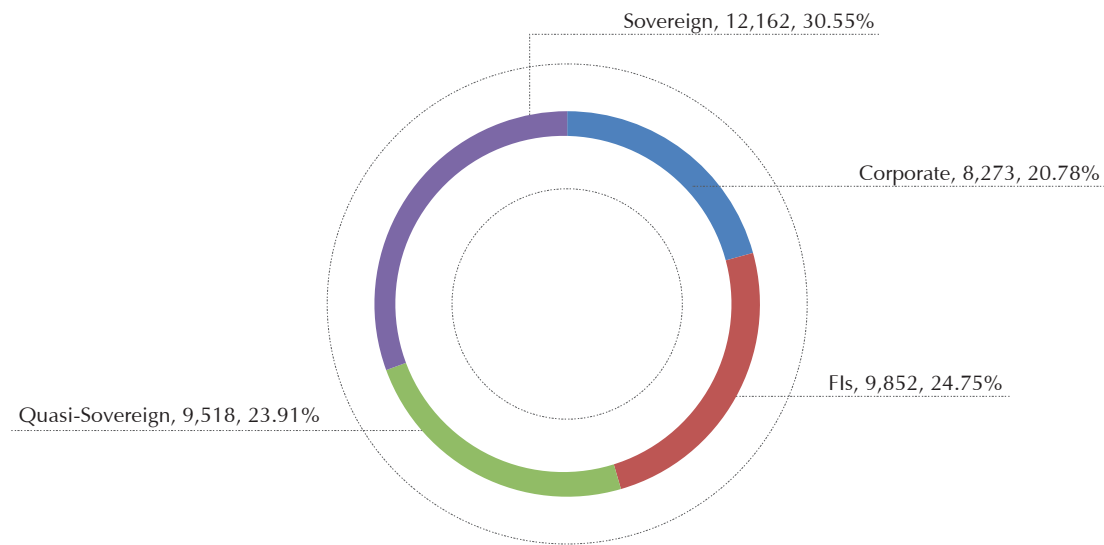


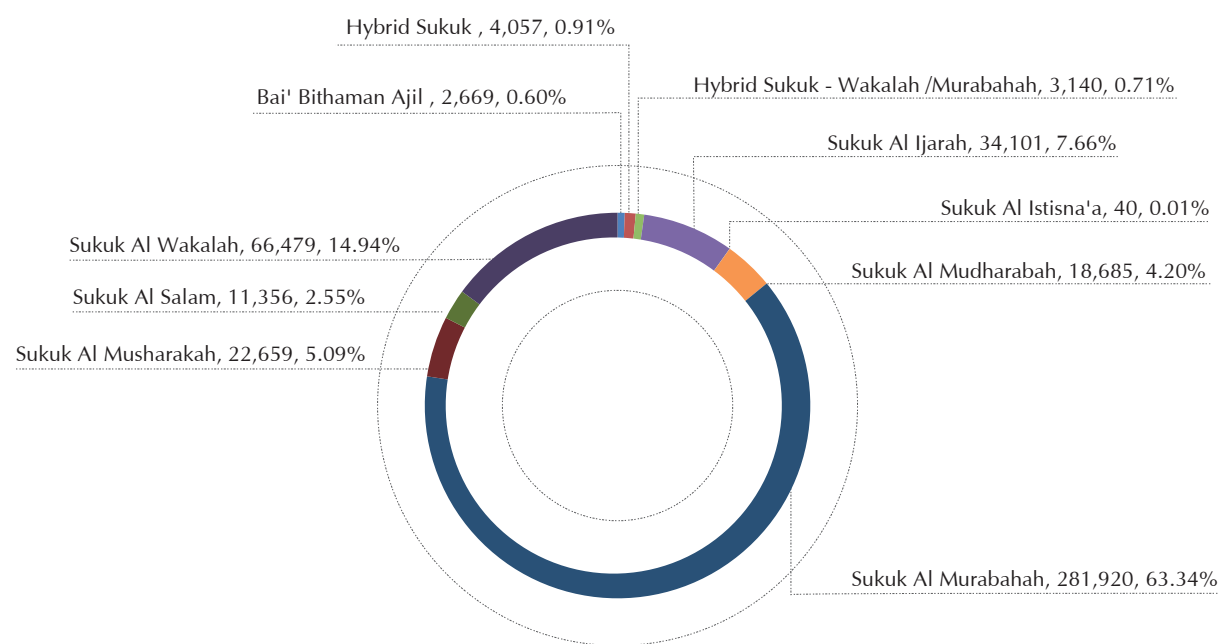
CHART 2E (C): GLOBAL SHORT TERM SUKUK ISSUANCES ≤ 12 MONTHS, ISSUER TYPE FOR THE YEAR 2019, AMOUNT IN USD MILLIONS)



Source: IIFM Sukuk database

Chart 2F (A) on the next page provides information on structure break-up of issuances since inception where Murabahah structure leads the pack.

Chart 2F (A): DOMESTIC SHORT TERM SUKUK ISSUANCES ≤ 12 MONTHS, STRUCTURE BREAK-UP (JAN 2001- DEC 2019, AMOUNT IN USD MILLIONS)



Source: IIFM Sukuk database

Chart 2F (B) & Chart 2F (C) on the next page provides information on structure break-up during the year 2018 & 2019 respectively where Wakalah structure has taken a more dominant role though generally Sukuk issued under Wakalah structure involves Ijarah and Murabahah which means that the share of Murabahah and Ijarah could be higher on overall basis.

Chart 2F (B): GLOBAL SHORT TERM SUKUK ISSUANCES ≤ 12 MONTHS, STRUCTURE BREAK-UP (JAN 2018- DEC 2018, AMOUNT IN USD MILLIONS)

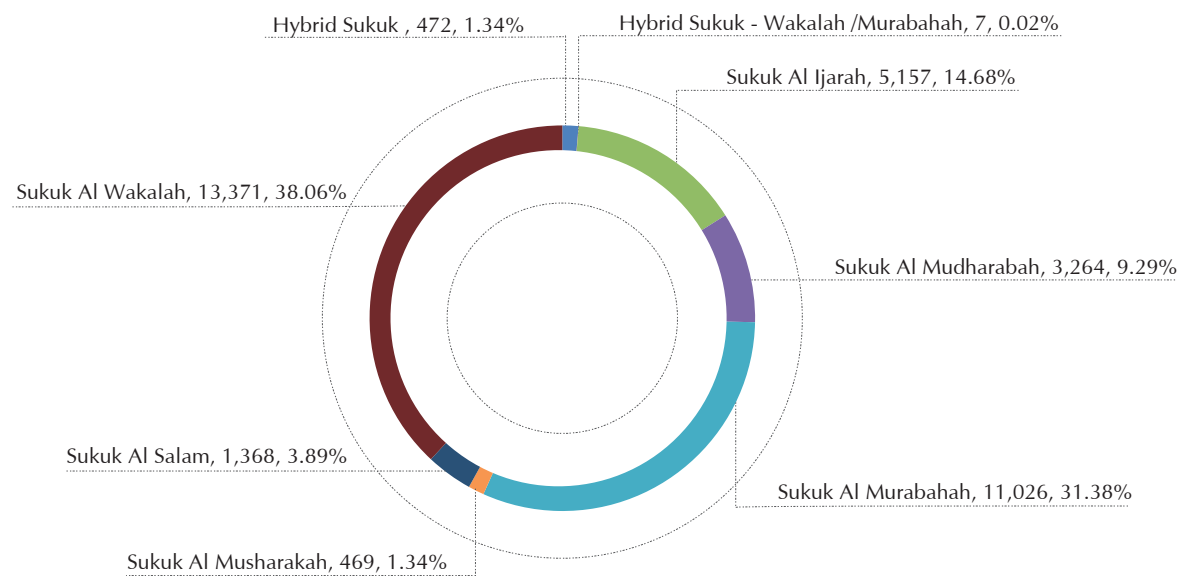
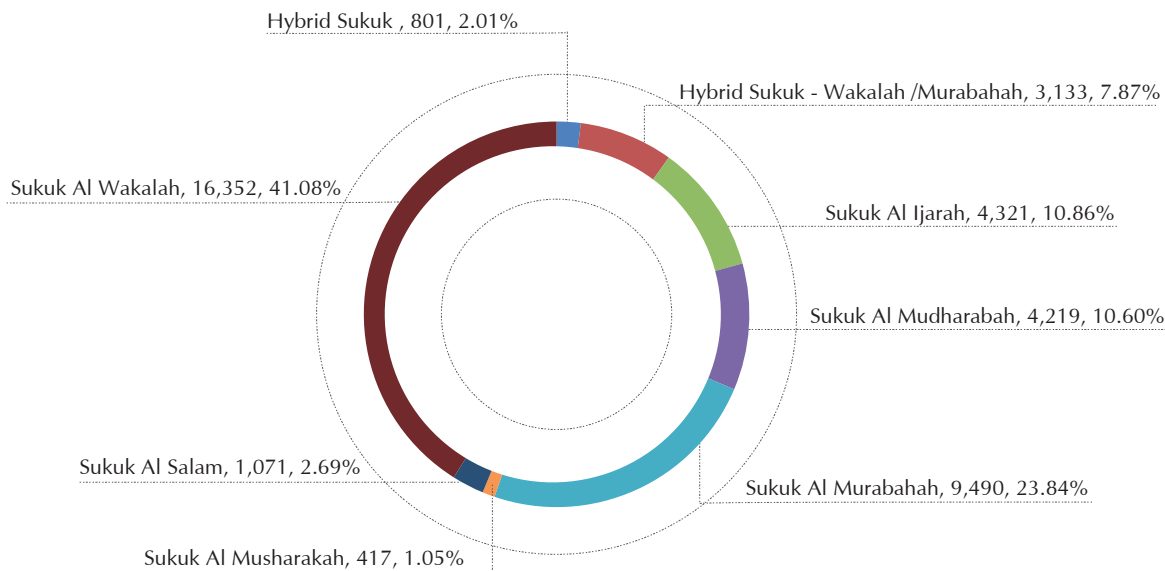


CHART 2F (C): GLOBAL SHORT TERM SUKUK ISSUANCES ≤ 12 MONTHS, STRUCTURE BREAK-UP FOR THE YEAR 2019, AMOUNT IN USD MILLIONS)



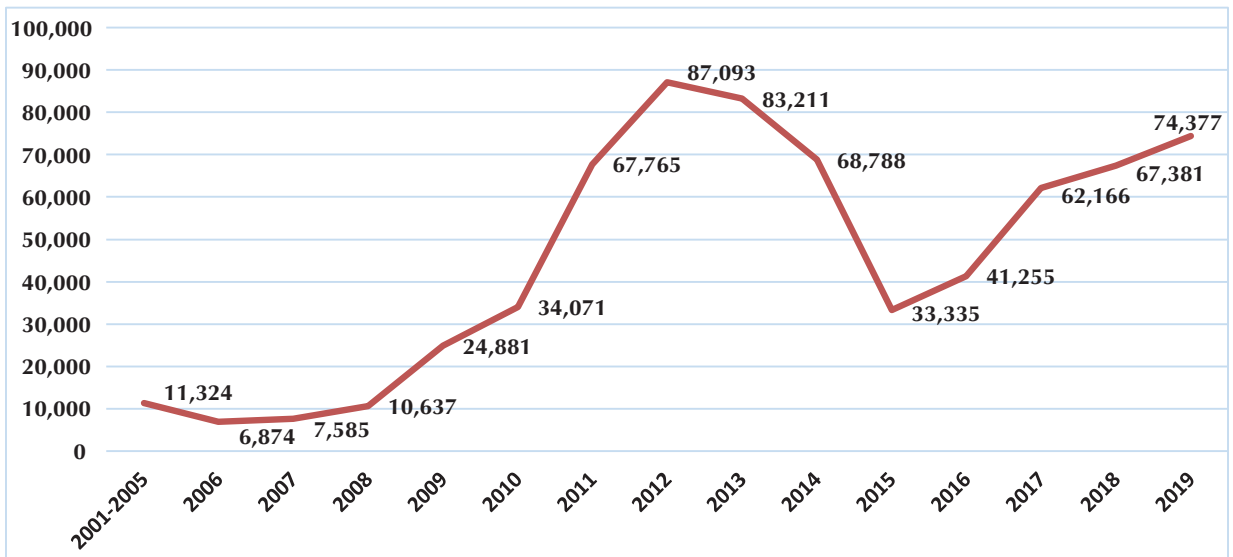
Source: IIFM Sukuk database

1.6 Distribution of the Global Sukuk Issuance by Issuer Status

Over all sovereign Sukuk issuances are the main contributor of the global Sukuk market growth and there is a pickup in sovereign issuances in 2019, as indicated by IIFM in its previous report, the sovereign issuers led by Saudi Arabia, Indonesia, Malaysia, UAE, Turkey continue to provide a strong foundation to the Sukuk market.

As of end 2019, total sovereign Sukuk issuance since inception stands at USD 680.7 billion, which is around 54.58% of all global Sukuk issuances. Chart 3A below shows the trend of sovereign Sukuk issuances since the year 2001:

Chart 3A: GLOBAL SOVEREIGN SUKUK ISSUANCES (JAN 2001- DEC 2019) ALL TENOR, ALL CURRENCIES, IN USD MILLIONS



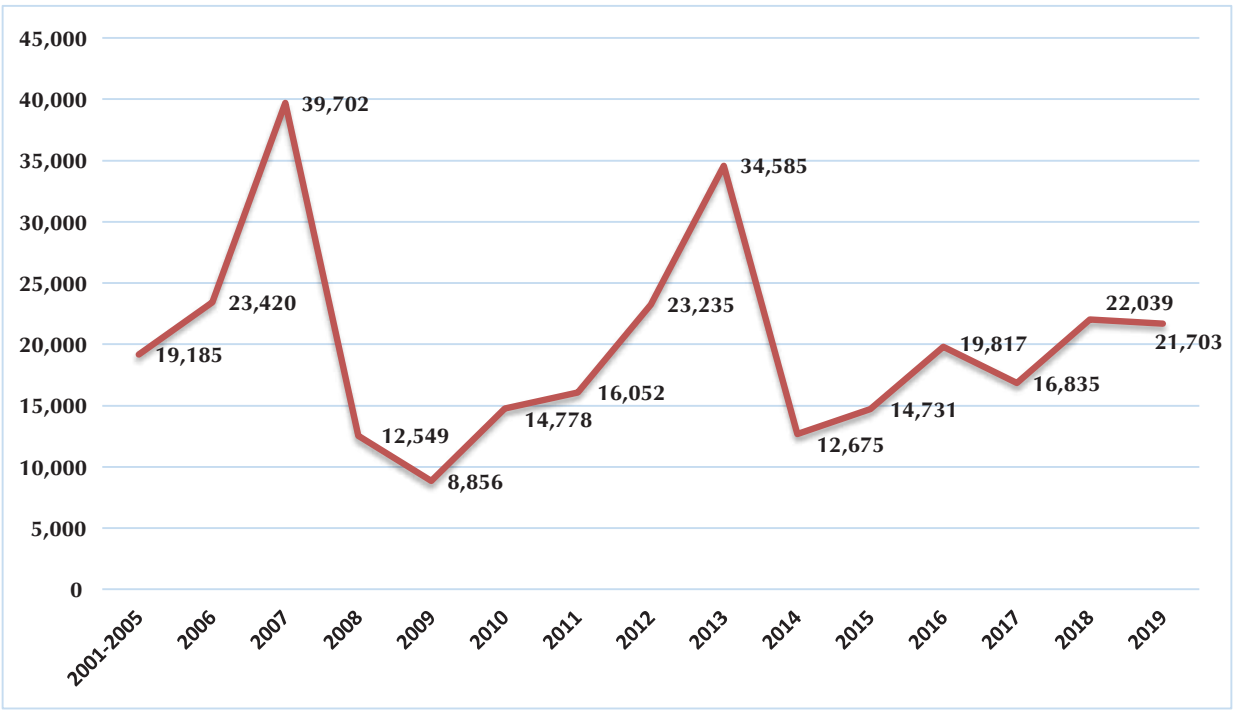
► Total Sovereign Sukuk Issuance USD 680.74 Billion

Source: IIFM Sukuk database

During 2019 the global sovereign issuances maintained the strong positive trend which was continued during first two months of 2020; however, the unprecedented situation caused by COVID-19 will cause economic shocks and it is highly likely that economic recovery may not be V shaped hence there is an increasing probability that most of the sovereigns may issue Sukuk to meet their fiscal budgetary requirements.

The following Chart 3B shows the global corporate issuances where there is a slight drop of USD 0.33 million or 1.5% in 2019 as compare to 2018.

Chart 3B: GLOBAL CORPORATE SUKUK ISSUANCES (JAN 2001- DEC 2019) ALL TENOR, ALL CURRENCIES, IN USD MILLIONS



► **Total Corporate Sukuk Issuance USD 300.162 Billion**

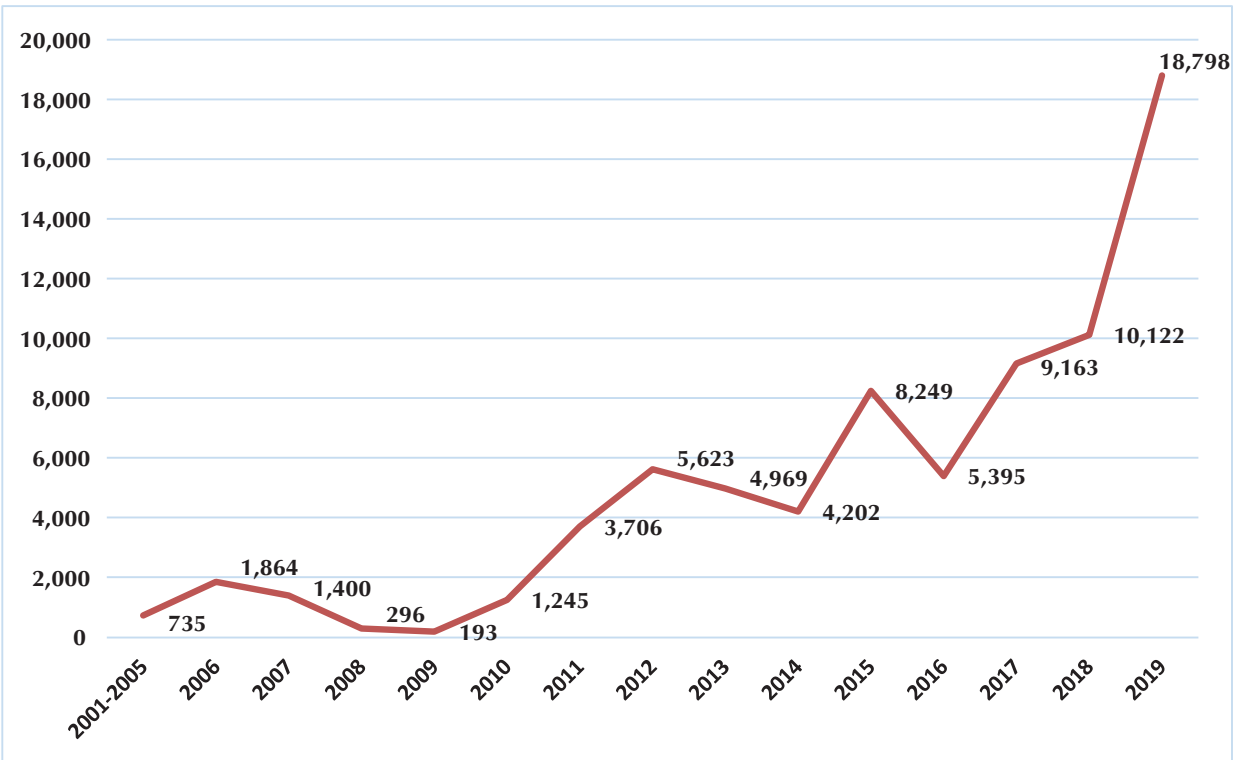
Source: IIFM Sukuk database

The corporate issuances peaked in year 2007 and since then only once in 2013 the issuance has reached USD 34.60 billion. This is typical of corporate sector response even in the conventional world as they are first to cut back on spending and expansion and development projects in the wake of an economic downturn. The year 2020 would be a difficult year for corporate issuers as the COVID-19 pandemic is likely to have negative affect to the corporate sector and their balance sheets.

During 2019 the corporate sector issuances remained subdued which indicate the potential of corporate sector, as the case in Malaysia, to eventually become a major issuer of Sukuk at least in the well-established Islamic jurisdictions.

Chart 3C below shows the trend line for FIs (financial institutions issuances since 2001):

Chart 3C: GLOBAL FIs *SUKUK* ISSUANCES (JAN 2001- DEC 2019) ALL TENOR, ALL CURRENCIES, IN USD MILLIONS



► **Total FIs Sukuk Issuance USD 75.96 Billion**

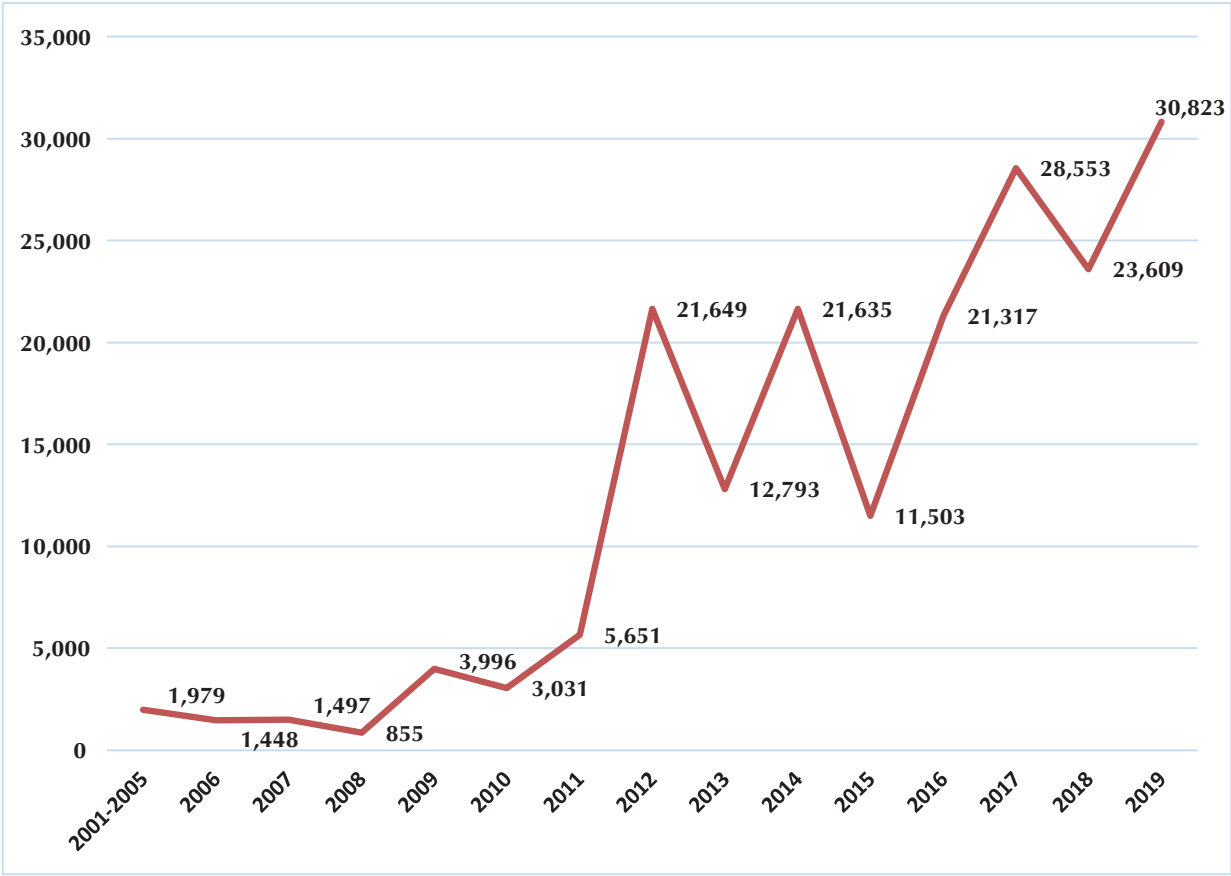
Source: IIFM Sukuk database

During 2019, Sukuk issuances by FIs showed strong performance and the issuance volume increased by whopping USD 8.67 billion or 85% p.a.

The FIs (Financial Institutions) are active Sukuk issuers since inception and initially the issuances were on the floating profit rate basis which suited the balance sheet management of the FIs; however, starting 2010 FIs became more active as an issuer for not only liquidity management purposes but also to meet the Basel Capital Adequacy requirements by issuing Tier 1 (Perpetual) and Tier 2 Sukuk. During the year a number of FIs based in various jurisdictions have issued Tier 1 & Tier 2 Sukuk.

Chart 3D on the next page shows the trend line for quasi-sovereign issuances since 2001. The quasi-sovereign issues are generally less susceptible to economic cycles though year 2020 could present a different challenge caused by COVID-19 as well as drop in Oil prices. The issuances are mostly from power sector, energy, aviation, financial, infrastructure development sectors while Khazanah Nasional of Ministry of Finance of Malaysian government is the only sovereign wealth fund which is an active issuer in Sukuk market though some sovereign wealth fund are now looking into investing the Sukuk market.

Chart 3D: GLOBAL QUASI-SOVEREIGN *SUKUK* ISSUANCES (JAN 2001- DEC 2019)
ALL TENOR, ALL CURRENCIES, IN USD MILLIONS



➤ **Total Global Quasi Sovereign Sukuk Issuance USD 190.34 Billion**

Source: IIFM Sukuk database

During early years, the quasi-sovereign issues have mainly come from the Finance Ministry of the Malaysian government, Khazanah Nasional, and the Saudi-based Islamic Development Bank (IsDB). Since then a number of quasi-sovereign from various jurisdictions including such as Malaysia based PLUS Berhad, Saudi Electricity Company, DP World, Saudi Aramco, Tenaga Nasional Berhad, Arab Petroleum, Saudi Arabian Mining Company etc.

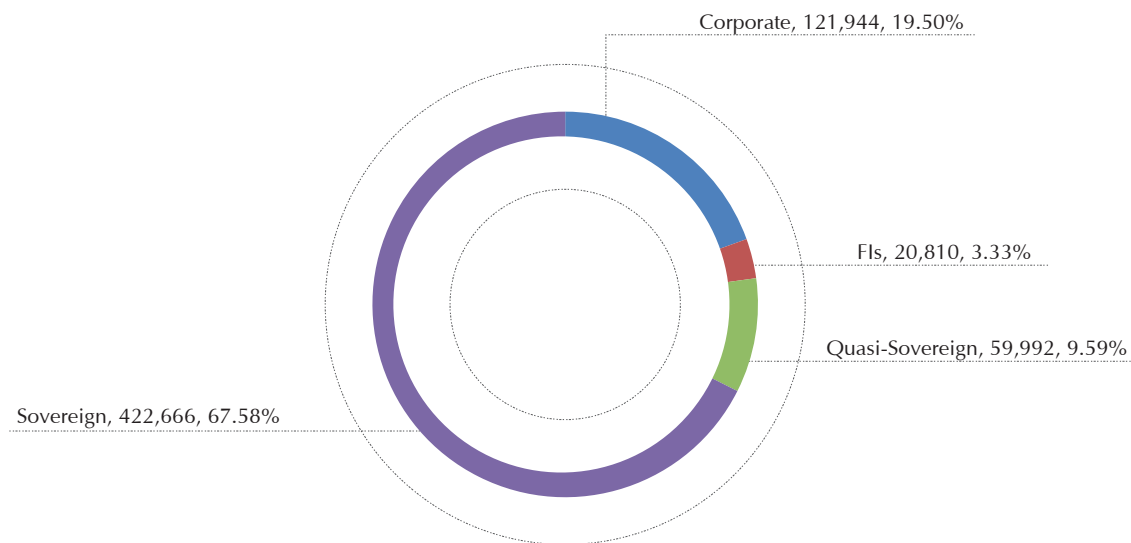
IsDB leads the pack of multilateral issuers while World Bank, African Finance Corporation, Khazanah Nasional etc., have issued Sukuk to fund their activities while Malaysian based International Islamic Liquidity Management Corporation is a regular and only issuer of Short Term Int'l Sukuk.

It is interesting to note that in both the international and domestic *Sukuk* markets, the mix of sovereign/quasi-sovereign, corporate and FIs issuers has been following a consistent pattern and in 2019 the share of quasi-sovereign has strongly increased by USD 7.21 billion or 30.55% as compared to 2018.

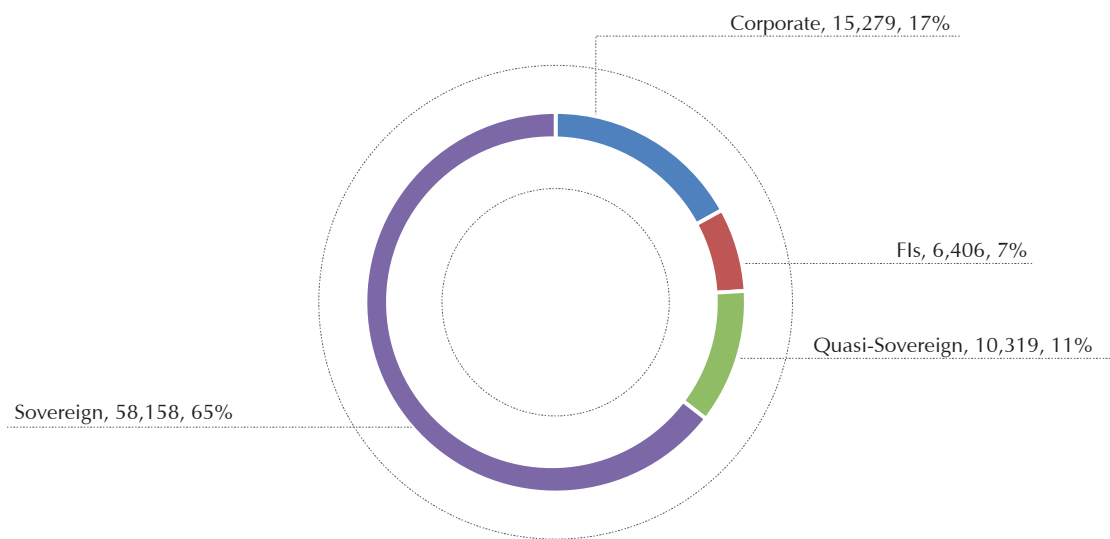
The three (3) pie charts in Chart 3E on the next page give a clear picture of domestic *Sukuk* issuances:

Chart 3E: DOMESTIC SUKUK ISSUANCES BY ISSUER STATUS - ALL TENORS, ALL CURRENCIES, IN USD MILLIONS

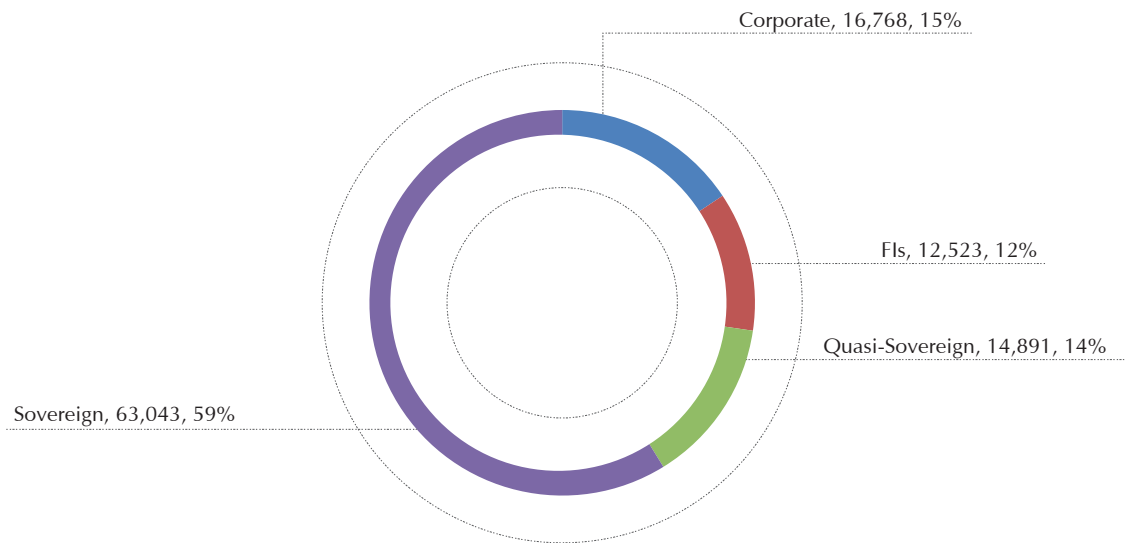
DOMESTIC SUKUK ISSUANCES Jan 2010-Dec 2017



DOMESTIC SUKUK ISSUANCES Jan 2018- Dec 2018



DOMESTIC SUKUK ISSUANCES FOR THE YEAR 2019

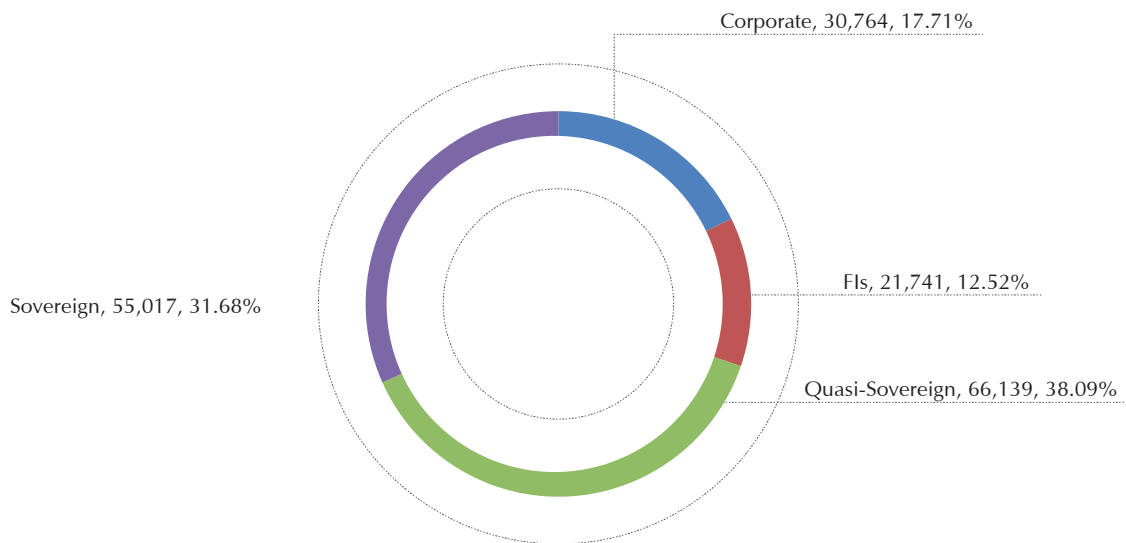


Source: IIFM Sukuk database

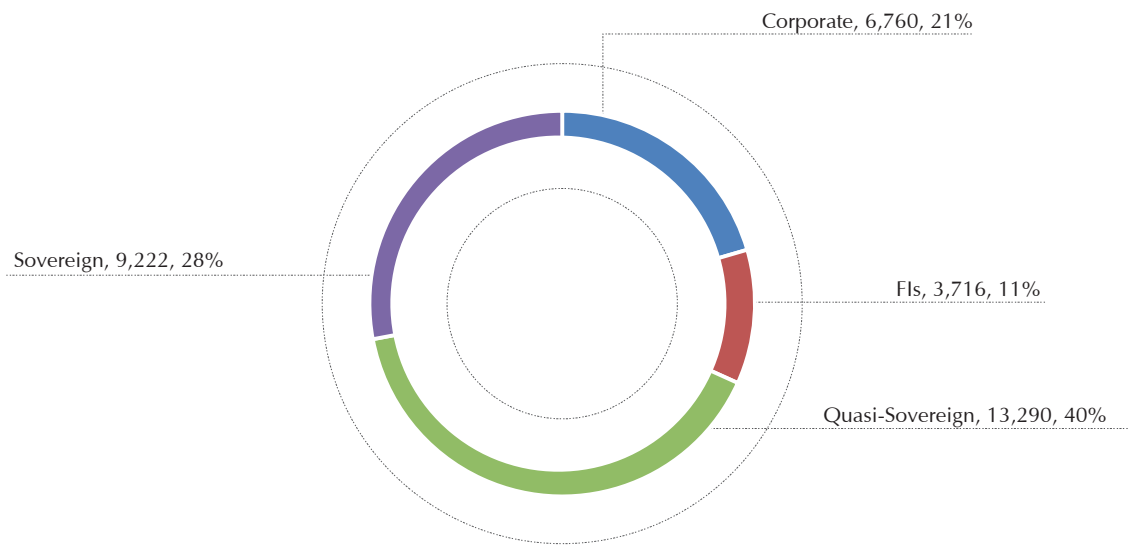
The pie charts in Chart 3F below show the respective shares of the sovereign, quasi-sovereign, corporate and Fls issuers in the international market. The share of sovereign & Quasi-sovereign issuers has maintained their dominance in issuance of International Sukuk during 2019 with slight increase of 71% as compared to 69.77% for the period 2010-2017 while year on year increase between 2019 and 2018 works out to be around 21% or USD 4.75 billion.

Chart 3F: INTERNATIONAL SUKUK ISSUANCES BY ISSUER STATUS - ALL TENORS, ALL CURRENCIES, IN USD MILLIONS International Sukuk Issuances

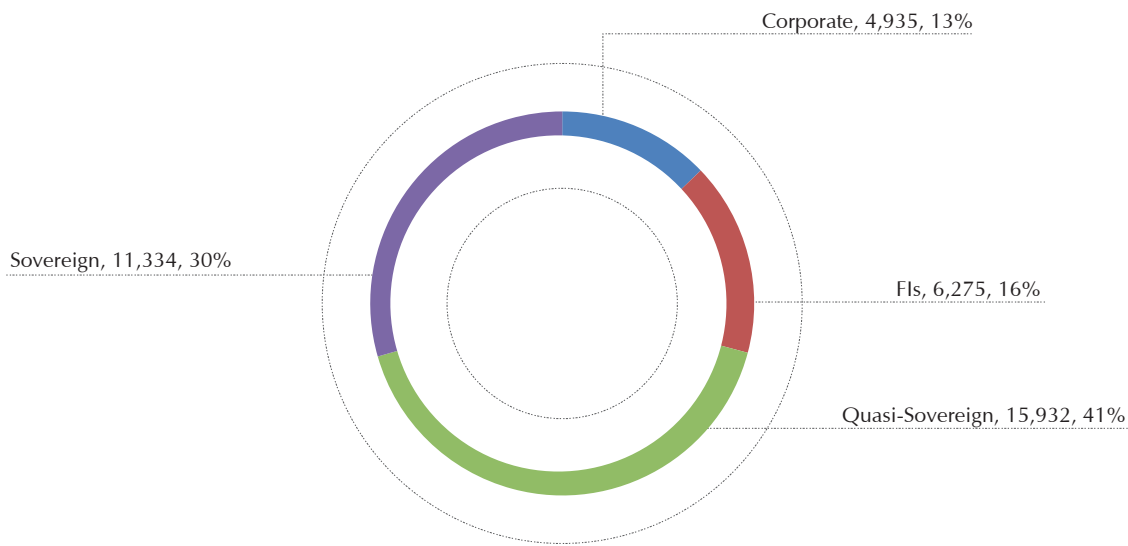
International Sukuk Issuances Jan 2010- Dec 2017



International *Sukuk* Issuances Jan 2018- Dec 2018



International *Sukuk* Issuances FOR THE YEAR 2019



Source: IIFM Sukuk database

It is expected that due to the tighter economic, geo-political conditions and unprecedented COVID-19 in different parts of the world, the growth in Sukuk market will continue to be driven by sovereign and quasi-sovereign issuers at least till 2021.

Following are lists of the Hallmark Sukuk Issuances in the Sovereign, Quasi-Sovereign, corporate, and Fls categories during 2019:

Table 4A: Global Sovereign *Sukuk* Issuances - Selected Value Leaders (2019, USD 500 Millions or >, Tenor > 1 Year)

Issue Year	Issuer	Issuer Country	Issuance Currency	International /Domestic	<i>Sukuk</i> Structure	USD Million or Equivalent	Tenor (Years)
2019	Ministry of Finance Saudi Arabia	Saudi Arabia	SAR	Domestic	Hybrid <i>Sukuk</i> - <i>Murabahah</i> / <i>Mudharabah</i>	2,466	30
2019	Ministry of Finance Saudi Arabia	Saudi Arabia	USD	International	Hybrid <i>Sukuk</i> - <i>Murabahah</i> / <i>Mudharabah</i>	2,500	10
2019	Government of Sultanate of Oman	Oman	OMR	Domestic	<i>Sukuk Al Ijarah</i>	520	7
2019	Government of Malaysia	Malaysia	MYR	Domestic	<i>Sukuk Al Murabahah</i>	1,955	21
2019	Central Bank of Bahrain	Bahrain	USD	International	Hybrid <i>Sukuk</i> - <i>Ijarah</i> / <i>Murabahah</i>	1,000	8
2019	Government of Sharjah	United Arab Emirates	USD	International	Hybrid <i>Sukuk</i> - <i>Ijarah</i> / <i>Murabahah</i>	1,000	7
2019	Ministry of Finance Indonesia	Indonesia	IDR	Domestic	<i>Sukuk Al Ijarah</i>	1,499	3
2019	Ministry of Finance Indonesia	Indonesia	USD	International	<i>Sukuk Al Wakalah</i>	1,250	10
2019	Ministry of Finance Turkey	Turkey	USD	International	<i>Sukuk Al Ijarah</i>	2,000	3
2019	Ministry of Finance Turkey	Turkey	Euro	International	<i>Sukuk Al Ijarah</i>	1,984	2
2019	Ministry of Finance Turkey	Turkey	TRY	Domestic	<i>Sukuk Al Ijarah</i>	1,292	2
2019	Government of Qatar	Qatar	QAR	Domestic	<i>Sukuk Al Wakalah</i>	1,080	5

Source: IIFM *Sukuk* database

Table 4B: Global Corporate *Sukuk* Issuances - Selected Value Leaders (2019, USD 200 Millions or >, Tenor > 1 Year)

Issue Year	Issuer	Issuer Country	Issuance Currency	International /Domestic	<i>Sukuk</i> Structure	USD Million or Equivalent	Tenor (Years)
2019	Serba Dinamik Holdings	Malaysia	USD	International	<i>Sukuk Al Wakalah</i>	300	3
2019	Flydubai	United Arab Emirates	USD	International	<i>Sukuk Al Wakalah</i>	500	5
2019	Arabian Centres	Saudi Arabia	USD	International	Hybrid <i>Sukuk</i> - <i>Murabahah</i> / <i>Mudharabah</i>	500	6

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2019	Aldar Investment Properties	United Arab Emirates	USD	International	<i>Sukuk Al Wakalah</i>	500	10
2019	Dar Al Arkan	Saudi Arabia	USD	International	<i>Hybrid Sukuk - Ijarah/Murabahah</i>	600	5
2019	Emaar Properties	United Arab Emirates	USD	International	<i>Sukuk Al Murabahah</i>	500	10
2019	Kuala Lumpur Kepong Berhad	Malaysia	MYR	Domestic	<i>Sukuk Al Wakalah</i>	320	15
2019	Emirates Strategic Investments Company	United Arab Emirates	USD	International	<i>Sukuk Al Wakalah</i>	600	5
2019	Savola Group Company	Saudi Arabia	SAR	Domestic	<i>Hybrid Sukuk</i>	267	7
2019	Majid Al Futtaim Green Sukuk	United Arab Emirates	USD	International	<i>Sukuk Al Murabahah</i>	600	10
2019	Danum Capital Berhad	Malaysia	MYR	Domestic	<i>Sukuk Al Wakalah</i>	460	4
2019	Almarai Company	Saudi Arabia	USD	International	<i>Hybrid Sukuk - Ijarah/Murabahah</i>	500	5
2019	Power Holding Private Limited	Pakistan	PKR	Domestic	<i>Sukuk Al Ijarah</i>	1,280	10

Source: IIFM Sukuk database

Table 4C: Global FIIs Sukuk Issuances - Selected Value Leaders (2019, USD 150 Millions or >, Tenor > 1 Year)

Issue Year	Issuer	Issuer Country	Issuance Currency	International /Domestic	Sukuk Structure	USD Million or Equivalent	Tenor (Years)
2019	MBSB Bank Berhad	Malaysia	MYR	Domestic	<i>Hybrid Sukuk - Wakalah /Murabahah</i>	150	12
2019	Qatar International Islamic Bank	Qatar	USD	International	<i>Hybrid Sukuk - Wakalah/Mudharabah</i>	300	Perpetual
2019	Masraf Al Rayan	Qatar	USD	International	<i>Sukuk Al Mudharabah</i>	500	5
2019	First Abu Dhabi bank	United Arab Emirates	USD	International	<i>Sukuk Al Wakalah</i>	850	5
2019	CIMB Islamic Bank Berhad	Malaysia	MYR	Domestic	<i>Sukuk Al Murabahah</i>	184	10
2019	Malayan Banking Berhad	Malaysia	MYR	Domestic	<i>Sukuk Al Murabahah</i>	460	10
2019	Warba Bank	Kuwait	USD	International	<i>Sukuk Al Wakalah</i>	500	5

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2019	Kuveyt Turk Participation Bank	Turkey	USD	International	<i>Sukuk Al Mudharabah</i>	200	Perpetual
2019	Sharjah Islamic Bank	United Arab Emirates	USD	International	<i>Sukuk Al Mudharabah</i>	500	Perpetual
2019	Kuwait International Bank	Kuwait	USD	International	<i>Sukuk Al Mudharabah</i>	300	Perpetual
2019	Maybank Islamic Berhad	Malaysia	MYR	Domestic	<i>Sukuk Al Murabahah</i>	230	10
2019	Qatar International Islamic Bank	Qatar	USD	International	<i>Sukuk Al Wakalah</i>	500	5
2019	Qatar Islamic Bank	Qatar	USD	International	<i>Sukuk Al Wakalah</i>	750	5
2019	Dubai Islamic Bank	United Arab Emirates	USD	International	<i>Sukuk Al Mudharabah</i>	750	Perpetual
2019	Dubai Islamic Bank	United Arab Emirates	USD	International	Hybrid <i>Sukuk - Ijarah/Murabahah</i>	750	5

Source: IIFM Sukuk database

Table 4D: Global Quasi-Sovereign *Sukuk* Issuances - Selected Value Leaders (2019, USD 150 Millions or >, Tenor > 1 Year)

Issue Year	Issuer	Issuer Country	Issuance Currency	International /Domestic	<i>Sukuk</i> Structure	USD Million or Equivalent	Tenor (Years)
2019	DanaInfra Nasional Berhad	Malaysia	MYR	Domestic	<i>Sukuk Al Murabahah</i>	230	30
2019	Islamic Development Bank (Green <i>Sukuk</i>)	Saudi Arabia	Euro	International	<i>Sukuk Al Wakalah</i>	1,102	5
2019	Islamic Development Bank	Saudi Arabia	USD	International	<i>Sukuk Al Wakalah</i>	1,500	5
2019	DP World	United Arab Emirates	USD	International	<i>Sukuk Al Wakalah</i>	1,000	10
2019	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	MYR	Domestic	<i>Sukuk Al Murabahah</i>	299	21
2019	Padiberas Nasional Berhad	Malaysia	MYR	Domestic	Hybrid <i>Sukuk - Wakalah /Murabahah</i>	230	3
2019	Urusharta Jamaah Sendirian Berhad	Malaysia	MYR	Domestic	<i>Sukuk Al Mudharabah</i>	3,300	10
2019	Saudi Telecom	Saudi Arabia	USD	International	<i>Sukuk Al Mudharabah</i>	1,250	10
2019	Prasarana Malaysia Berhad	Malaysia	MYR	Domestic	<i>Sukuk Al Murabahah</i>	161	15

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2019	Perbadanan Tabung Pendidikan Tinggi Nasional	Malaysia	MYR	Domestic	<i>Sukuk Al Mudharabah</i>	368	15
2019	Pengurusan Air SPV Berhad	Malaysia	MYR	Domestic	<i>Hybrid Sukuk - Ijarah/Musharakah</i>	173	5

Source: IIFM Sukuk database

1.7 Anatomy of International Sukuk Issuances

The international Sukuk market, though it forms just under 23.24% of overall Global Sukuk issuances since 2001, is the real attraction and driver of the Sukuk market from global perspective. Denominated in USD and other stable currencies, the international Sukuk issuances are being issued in longer tenors which include up to 30 years, perpetual (generally 5-year Call Option) and eventually the industry will witness the issuance of Sukuk with 50 years tenor. The international Sukuk with medium to long term tenors-maintained growth in volume during 2019 while the size of international short term Sukuk mainly from IILM was stable.

In recent years, sovereign and quasi-sovereign issuances are on the rise and forms bulk of Sukuk market though during 2019 FI issuers have performed better while corporate issuances maintained the similar pattern as last year.

A look at Table 5A below shows us that UAE with 27.72% has maintained its volume and value leader position in the international Sukuk market closely followed by Malaysia 25.24% while share of Saudi Arabia 19.60%, Indonesia 6.45%, Bahrain 4.29% and Turkey 4.81% is gradually rising. Together with Saudi Arabia, Qatar, UAE, Oman & Bahrain, the five GCC countries command over 59.28% of the entire international Sukuk issuances since inception.

Table 5A: Regional Break-up of International Sukuk issuance (Jan 2001 – Dec 2019)

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
China	1	97	0.03%
Hong Kong	5	3,196	1.10%
Indonesia	21	18,703	6.45%
Japan	3	190	0.07%
Malaysia	138	73,183	25.24%
Pakistan	4	3,600	1.24%
Singapore	4	711	0.25%
Total	176	99,680	34.38%
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain		12,430	4.29%
Kuwait		4,127	1.42%
Oman		4,219	1.46%
Qatar		13,895	4.79%
Saudi Arabia		56,826	19.60%
United Arab Emirates		80,364	27.72%
Total	342	171,861	59.28%

AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Nigeria	1	150	0.05%
South Africa	1	500	0.17%
Sudan	1	130	0.04%
Total	176	99,680	34.38%
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
France	1	1	0.0003%
Germany	3	206	0.07%
Luxembourg	3	280	0.10%
Turkey	27	13,946	4.81%
United Kingdom	10	1,719	0.59%
USA	5	1,367	0.47%
Kazakhstan	1	77	0.03%
Total	50	17,595	6.07%
Grand Total	571	289,917	100%

Source: IIFM Sukuk database

As per the Table 5B below, in the year 2019 also, around 58.90% of the international issues came from these countries. Malaysia, UAE and Saudi Arabia have strong presence in the international market with each have share of around 24% followed by Turkey of 10.87% while Indonesia continue to improve its share which stood at 5.46%.

Table 5B: Regional Break-up of International Issuances for the Year 2019

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Indonesia	3	2,100	5.46%
Malaysia	31	9,530	24.77%
Total	34	11,630	30.23%
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	1	1,000	2.60%
Kuwait	2	800	2.08%
Qatar	4	2,050	5.33%
Saudi Arabia	9	9,502	24.70%
United Arab Emirates	16	9,310	24.20%
Total	32	22,662	58.90%
AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Total	0	0	0.00%
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
Turkey	3	4,184	10.87%
Total	3	4,184	10.87%
Grand Total	69	38,476	100%

Source: IIFM Sukuk database

Table 6 below gives a list of selected value leaders of Sukuk issuances in 2019. The largest of the value leaders, that is with issuance amounts of USD 600 million and above include sovereign, quasi-sovereign, corporate and FI entities namely the governments of Bahrain, Indonesia, Sharjah, Turkey, Pakistan, Saudi Arabia, Oman and the Islamic Development Bank. In 2019 the corporate & FI issuances of USD 500 million and above are Abu Dhabi Islamic Bank, Dubai Islamic Bank, Kuwait International Bank, Warba Bank etc.

Table 6: International Sukuk Issuances - Selected Value Leaders (2019, USD 150 Millions or >, Tenor > 1 Year)

Issue Year	Issuer	Issuer Country	Issuance Currency	Sukuk Type	Sukuk Structure	USD Million or Equivalent	Average Tenor (Years)
2019	Serba Dinamik Holdings	Malaysia	USD	Corporate	<i>Sukuk Al Wakalah</i>	300	3
2019	Islamic Development Bank	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,500	5
2019	Islamic Development Bank (Green Sukuk)	Saudi Arabia	Euro	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,102	5
2019	Flydubai	United Arab Emirates	USD	Corporate	<i>Sukuk Al Wakalah</i>	500	5
2019	Arabian Centres	Saudi Arabia	USD	Corporate	<i>Hybrid Sukuk - Murabahah/Mudharabah</i>	500	6
2019	Dubai Islamic Bank	United Arab Emirates	USD	FIs	<i>Hybrid Sukuk - Ijarah/Murabahah</i>	750	5
2019	Qatar International IslamicBank	Qatar	USD	FIs	<i>Hybrid Sukuk - Wakalah/Mudarabah</i>	300	Perpetual
2019	Masraf Al Rayan	Qatar	USD	FIs	<i>Sukuk Al Mudharabah</i>	500	5
2019	First Abu Dhabi Bank	United Arab Emirates	USD	FIs	<i>Sukuk Al Wakalah</i>	850	5
2019	Ministry of Finance Saudi Arabia	Saudi Arabia	USD	Sovereign	<i>Hybrid Sukuk - Murabahah/Mudharabah</i>	2,500	10
2019	Aldar Investment Properties	United Arab Emirates	USD	Corporate	<i>Sukuk Al Wakalah</i>	500	10
2019	Dar Al Arkan	Saudi Arabia	USD	Corporate	<i>Hybrid Sukuk - Ijarah/Murabahah</i>	600	5
2019	Central Bank of Bahrain	Bahrain	USD	Sovereign	<i>Hybrid Sukuk - Ijarah/Murabahah</i>	1,000	8
2019	Emaar Properties	United Arab Emirates	USD	Corporate	<i>Sukuk Al Murabahah</i>	500	10
2019	DP World	United Arab Emirates	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,000	10
2019	Warba Bank	Kuwait	USD	FIs	<i>Sukuk Al Wakalah</i>	500	5

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2019	Emirates Strategic Investments Company	United Arab Emirates	USD	Corporate	<i>Sukuk Al Wakalah</i>	600	5
2019	Kuveyt Turk Participation Bank	Turkey	USD	Fls	<i>Sukuk Al Mudharabah</i>	200	Perpetual
2019	Sharjah Islamic Bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Mudharabah</i>	500	Perpetual
2019	Kuwait International Bank	Kuwait	USD	Fls	<i>Sukuk Al Mudharabah</i>	300	Perpetual
2019	Majid Al Futtaim Green Sukuk	United Arab Emirates	USD	Corporate	<i>Sukuk Al Murabahah</i>	600	10
2019	Saudi Telecom	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Mudharabah</i>	1,250	10
2019	Qatar International Islamic Bank	Qatar	USD	Fls	<i>Sukuk Al Wakalah</i>	500	5
2019	Government of Sharjah	United Arab Emirates	USD	Sovereign	<i>Hybrid Sukuk - Ijarah/Murabahah</i>	1,000	7
2019	Qatar Islamic Bank	Qatar	USD	Fls	<i>Sukuk Al Wakalah</i>	750	5
2019	Almarai Company	Saudi Arabia	USD	Corporate	<i>Hybrid Sukuk - Ijarah/Murabahah</i>	500	5
2019	Ministry of Finance Indonesia	Indonesia	USD	Sovereign	<i>Sukuk Al Wakalah</i>	1,250	8
2019	Ministry of Finance Turkey	Turkey	USD	Sovereign	<i>Sukuk Al Ijarah</i>	2,000	3
2019	Ministry of Finance Turkey	Turkey	Euro	Sovereign	<i>Sukuk Al Ijarah</i>	1,984	2
2019	Dubai Islamic Bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Mudharabah</i>	750	Perpetual

Source: IIFM Sukuk database

1.8 Anatomy of Domestic Sukuk Issuances

During 2019 the domestic market forms around 73.60% (USD 107.24 billion) of the entire Sukuk market. The domestic market consists of longer tenor as well as short term Sukuk denominated in over 26 different currencies while no new entrant was added to the Sukuk market. Malaysia has continued its domination with market share of 69% of the total domestic *Sukuk* market for 2001 to 2019 period though other regular *Sukuk* issuance jurisdictions are slowly taking the market share. The other major jurisdictions for domestic issuances in 2019 including Malaysia were Saudi Arabia, Indonesia, UAE, Turkey, Oman, Qatar where Bahrain & Brunei are the most active issuers in short term market.

There is a rise in domestic *Sukuk* issuance in countries other than Malaysia and jurisdictions like Indonesia, Saudi Arabia, Turkey, Bahrain are playing an active role in issuance for liquidity management, project financing, meeting budgetary requirements and other purposes. Indonesia continued to issue large size domestic *Sukuk* for retail investors and this model is being looked at by several other countries; moreover, Indonesia also regularly issue benchmark size project financing *Sukuk*.

Table 7A below shows a regional break-up of the domestic Sukuk issuance since inception:

Table 7A: Regional Break-up of Domestic Issuances (Jan 2001 – Dec 2019)

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Bangladesh	6	59	0.006%
Brunei Darussalam	173	10,949	1.14%
Indonesia	469	80,205	8.38%
Malaysia	6,952	660,565	69.00%
Maldives	2	10	0.001%
Pakistan	94	14,030	1.47%
Singapore	12	788	0.08%
Sri Lanka	2	5	0.001%
Total	7,710	766,610	80.08%
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	334	21,305	2.23%
Jordan	4	483	0.05%
Kuwait	1	332	0.03%
Oman	8	1,969	0.21%
Qatar	31	19,772	2.07%
Saudi Arabia	149	89,465	9.35%
United Arab Emirates	15	8,324	0.87%
Yemen	2	253	0.03%
Total	544	141,903	14.82%
AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Gambia	429	407	0.04%
Ivory Coast	2	460	0.05%
Nigeria	4	714	0.07%
Mali	1	285	0.03%
Morocco	1	105	0.01%
Senegal	2	445	0.05%
Sudan	35	19,516	2.04%
Togo	1	245	0.03%
Total	475	22,176	2.32%
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
Turkey	558	26,599	2.78%
Total	558	26,599	2.78%
Grand Total	9,287	957,288	100%

Source: IIFM Sukuk database

Table 7B below shows a regional break-up of the domestic Sukuk issuance during 2019:

Table 7B: Regional Break-up of Domestic Issuances for the year 2019

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Bangladesh	2	21	0.020%
Brunei Darussalam	12	692	0.64%
Indonesia	81	17,316	16.15%
Malaysia	704	54,097	50.45%
Pakistan	9	1,508	1.41%
Total	808	73,634	68.67%
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	21	1,852	1.73%
Oman	3	899	0.84%
Qatar	9	2,957	2.76%
Saudi Arabia	39	18,973	17.69%
Total	72	24,680	23.02%
AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Gambia	108	24	0.02%
Total	108	24	0.02%
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
Turkey	210	8,888	8.29%
Total	210	8,888	8.29%
Grand Total	1,198	107,226	100%

Source: IIFM Sukuk database

As mentioned before, the domestic market comprised of longer tenor as well as short term issuances of 12 months and under. In the year 2019, the selected domestic value leaders given in Table 7C below, were from Malaysia, Indonesia, Saudi Arabia, Bahrain, Qatar, Oman, Pakistan and Turkey.

Table 7C: Domestic Sukuk Issuances - Selected Value Leaders (2019, USD 200 Millions or >, Tenor > 1 Year)

Issue Year	Issuer	Issuer Country	Issuance Currency	Sukuk Type	Sukuk Structure	USD Million or Equivalent	Average Tenor (Years)
2019	Ministry of Finance Saudi Arabia	Saudi Arabia	SAR	Sovereign	Hybrid Sukuk - Murabahah/Mudharabah	2,466	30
2019	Government of Sultanate of Oman	Oman	OMR	Sovereign	Sukuk Al Ijarah	520	7
2019	DanaInfra Nasional Berhad	Malaysia	MYR	Quasi-Sovereign	Sukuk Al Murabahah	230	30
2019	Government of Malaysia	Malaysia	MYR	Sovereign	Sukuk Al Murabahah	1,955	21

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2019	Kuala Lumpur Kepong Berhad	Malaysia	MYR	Corporate	<i>Sukuk Al Wakalah</i>	230	15
2019	Malayan Banking Berhad	Malaysia	MYR	Fls	<i>Sukuk Al Murabahah</i>	460	10
2019	Government of Qatar	Qatar	QAR	Sovereign	<i>Sukuk Al Wakalah</i>	1,080	5
2019	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	299	21
2019	Padiberas Nasional Berhad	Malaysia	MYR	Quasi-Sovereign	<i>Hybrid Sukuk - Wakalah /Murabahah</i>	230	3
2019	Savola Group Company	Saudi Arabia	SAR	Corporate	<i>Hybrid Sukuk</i>	267	7
2019	Urusharta Jamaah Sendirian Berhad	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Mudharabah</i>	3,300	10
2019	Danum Capital Berhad	Malaysia	MYR	Corporate	<i>Sukuk Al Wakalah</i>	460	4
2019	Maybank Islamic Berhad	Malaysia	MYR	Fls	<i>Sukuk Al Murabahah</i>	230	10
2019	Perbadanan Tabung Pendidikan Tinggi Nasional	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Mudharabah</i>	368	15
2019	Power Holding Private Limited	Pakistan	PKR	Corporate	<i>Sukuk Al Ijarah</i>	1,280	10
2019	Ministry of Finance Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	1,499	3
2019	Ministry of Finance Turkey	Turkey	TRY	Sovereign	<i>Sukuk Al Ijarah</i>	1,292	2

Source: IIFM Sukuk database

1.9 Structural Break-up of Global Sukuk Market

In terms of Sukuk structure, characteristics and participants, there is a difference between international and domestic Sukuk markets hence the requirement and popularity of various Sukuk financing structures also differs between the two markets.

As far as the international Sukuk market is concerned, Sukuk Al Wakalah, is most used structure since 2015. Chart 4A on the next page shows the share of Wakalah among Sukuk issuances made up around 50.85% during 2010-2017 period. The share of Sukuk Al Ijarah continue to decline from initial years though in 2019 its share improved to 26.85% as compared to 17% in 2018.

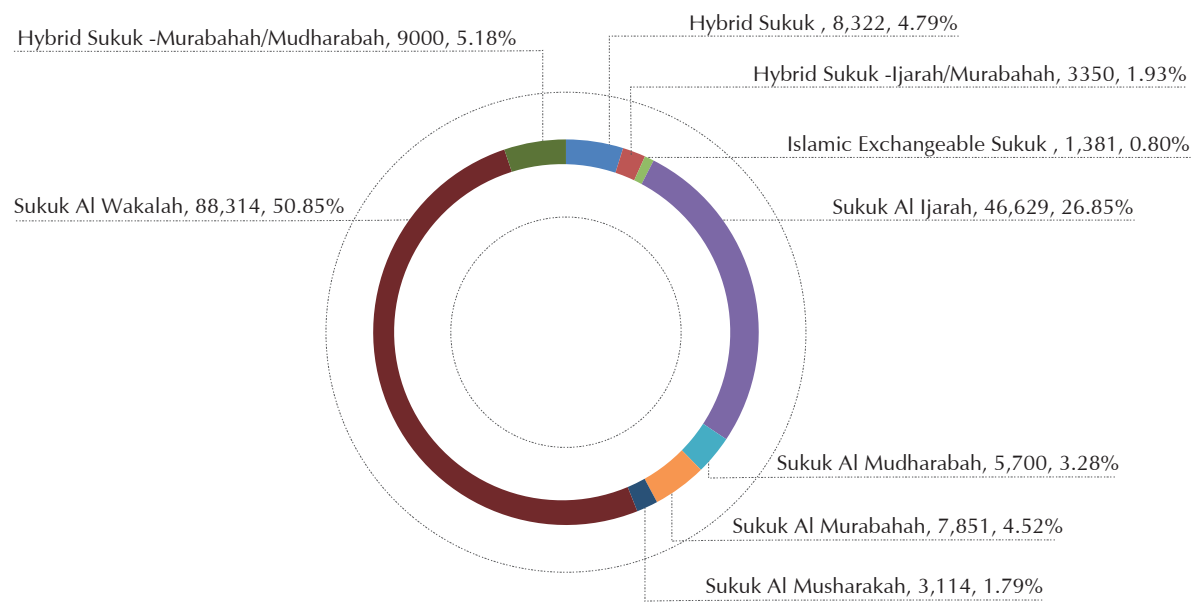
It is over 5 years ago (2015) when the shift from Ijarah to Wakalah model took place and this continued in 2019 where Sukuk Al Wakalah share stood at USD 21.757 billion (56%) of the total international issuances. In 2017 the Issuance by Saudi Arabia led to the introduction of new hybrid structure consisting of Mudarabah and Murabahah and in 2019 the share of this structure in case of international Sukuk issuance increased to 8% (USD 3 Billion) as compared to 6% (USD 2 Billion) of total Sukuk issuances in 2018.

In terms of structure the Sukuk Al Wakalah is generally issued based on combination of Ijarah with Murabahah and is like a hybrid structure. The Sukuk Al Wakalah provides flexibility in structuring and the issue of shortage of available assets is abridged.

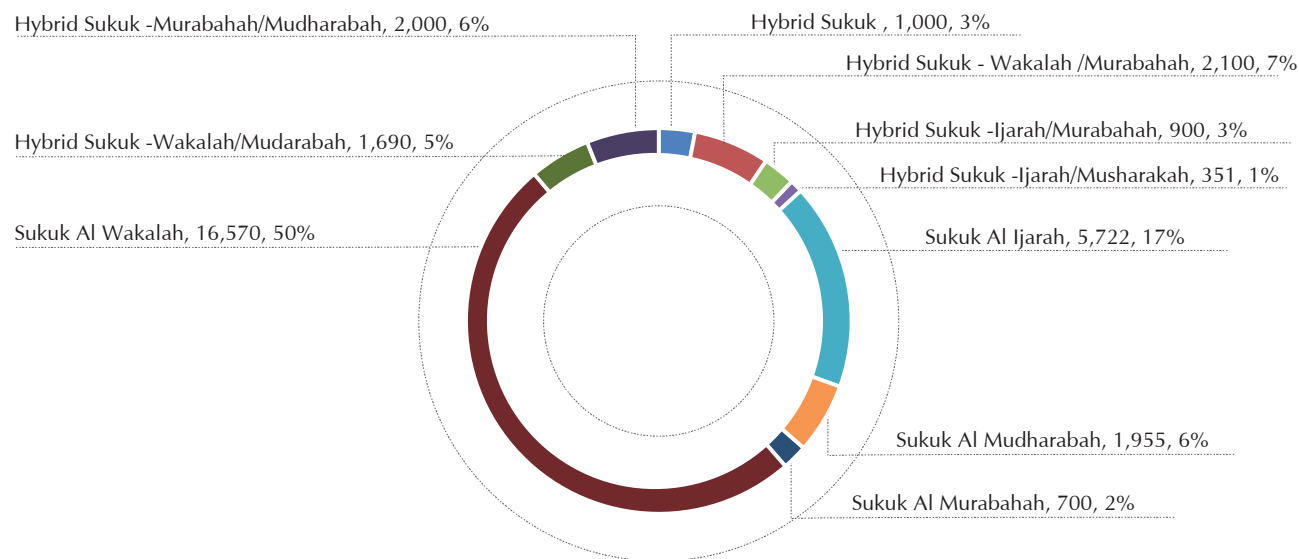
IIFM strongly recommend that from the industry’s development point of view over reliance on one structure needs to be collectively assessed and addressed by the industry.

CHART 4A: STRUCTURAL BREAK-UP OF INTERNATIONAL SUKUK ISSUANCES- ALL TENORS (USD MILLIONS)

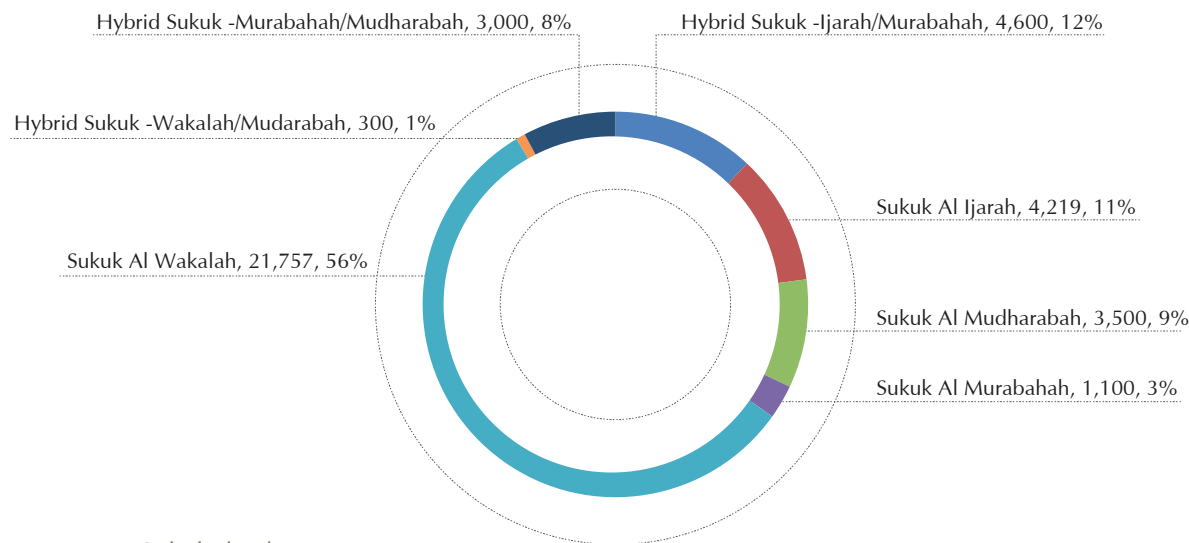
International Sukuk Issuances Jan 2010- Dec 2017



International Sukuk Issuances Jan 2018- Dec 2018



International *Sukuk* Issuances For The Year 2019



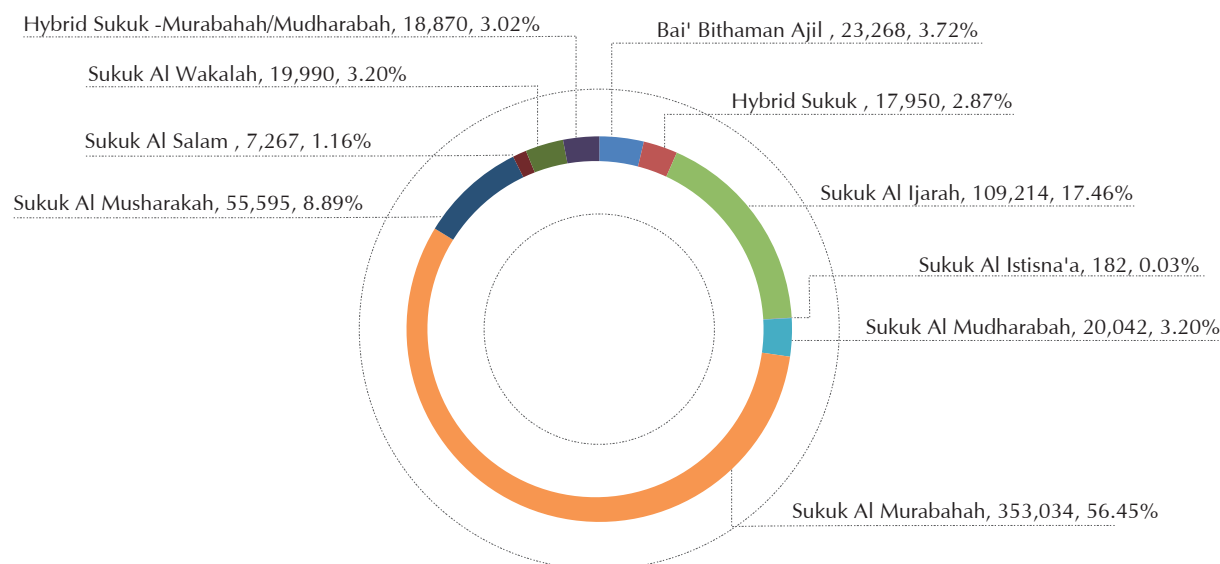
Source: IIFM Sukuk database

In the domestic market, as shown in chart 4B below, *Sukuk Al Murabahah* has historically been and continues to be the most dominant structure for Sukuk issuance even in 2019 where around USD 32.20 billion or 30% of total domestic issuances were based on the Murabahah structure. As the case in International *Sukuk* issuance a new hybrid *Sukuk* – *Murabahah & Mudarabah* was added by Saudi Arabia and due to large issuances the share in 2019 works out to be USD 18.70 billion or 17%.

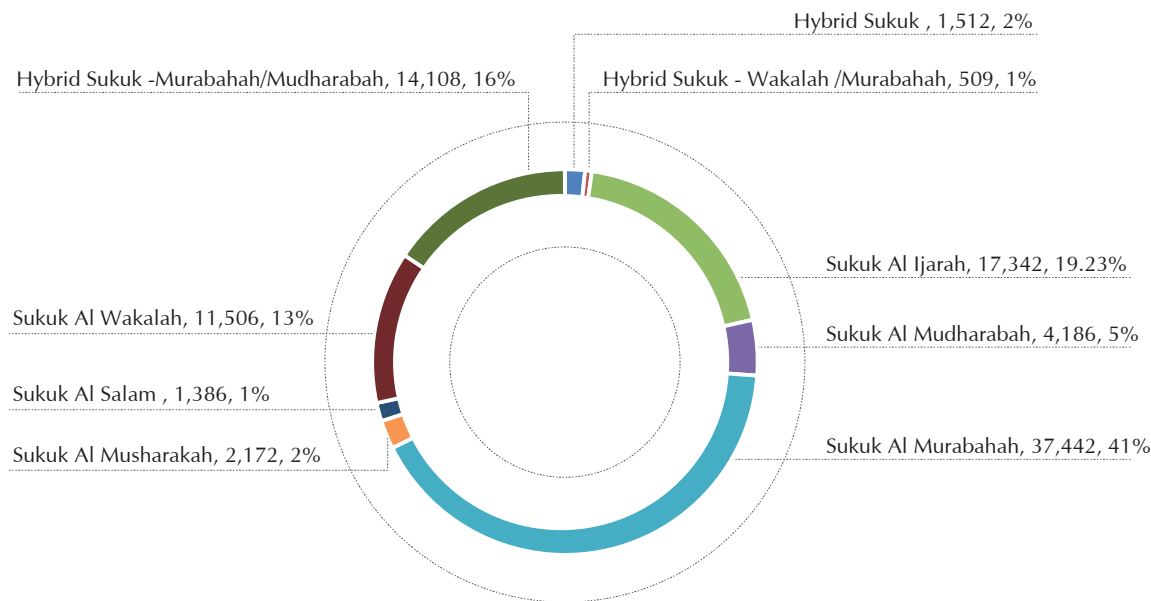
In 2019, *Ijarah*, *Mudharabah* and *Wakalah* are part of the structural mix which is desirable from the diversity point of view.

Chart 4B: STRUCTURAL BREAK-UP OF DOMESTIC *SUKUK* ISSUANCES- ALL TENORS (USD MILLIONS)

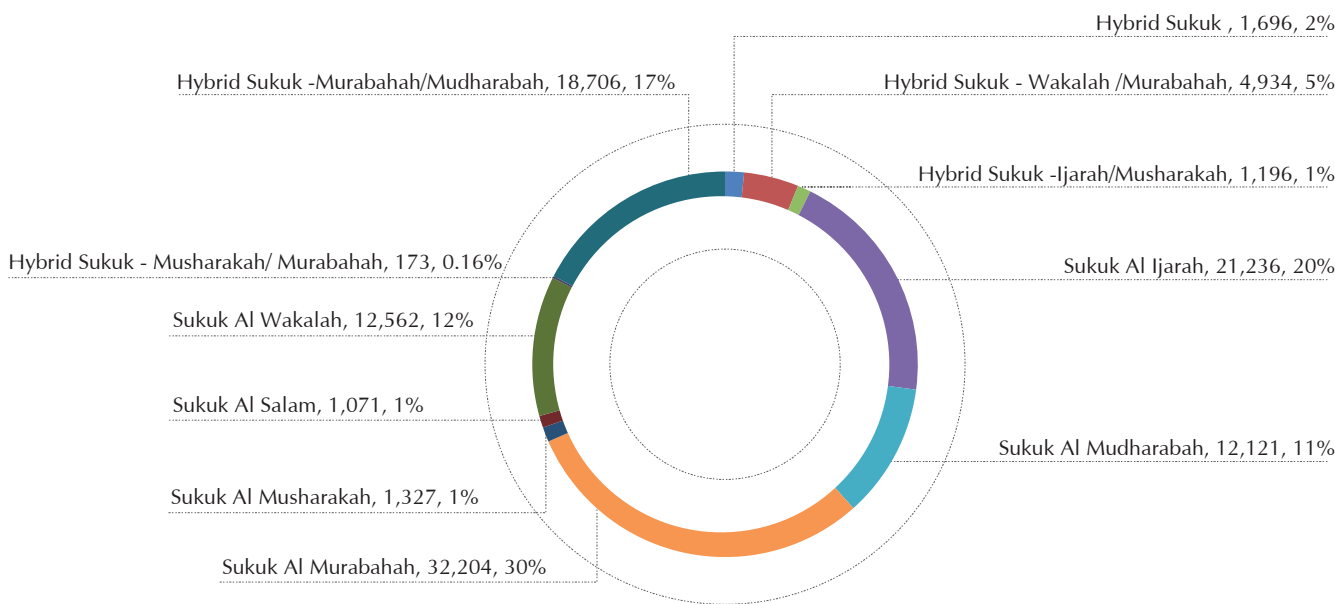
Domestic *Sukuk* Issuances Jan 2010-dec 2017



Domestic Sukuk Issuances Jan 2018-dec 2018



Domestic Sukuk Issuances For The Year 2019



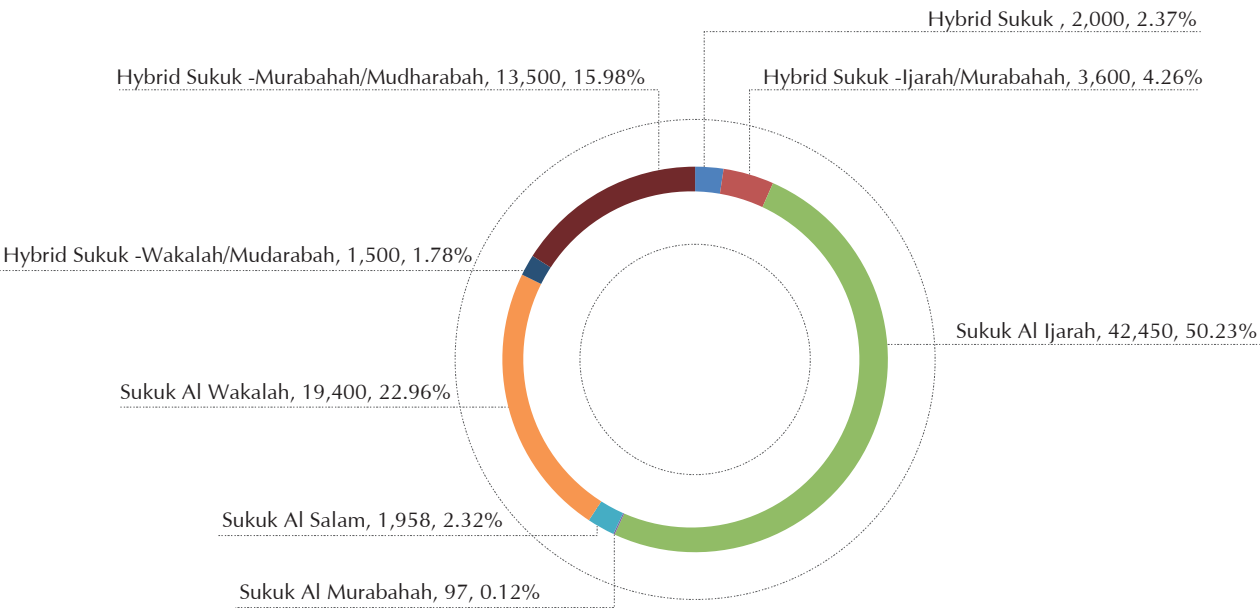
Source: IIFM Sukuk database

Chart 4C on the next page shows the structural distribution of international Sukuk issuance by the type of issuer, i.e., sovereign, quasi-sovereign, corporate and FIs issuers for the entire period Jan 2001-2019. On an overall basis, the Sukuk Al Ijarah was historically been the favorite structure of international issuers with a share of 50.23%. However, in recent years, Wakalah and Ijarah are the two most preferred structures by most of the issues where in 2019 Sukuk Al Wakalah continued to be the most preferred structure.

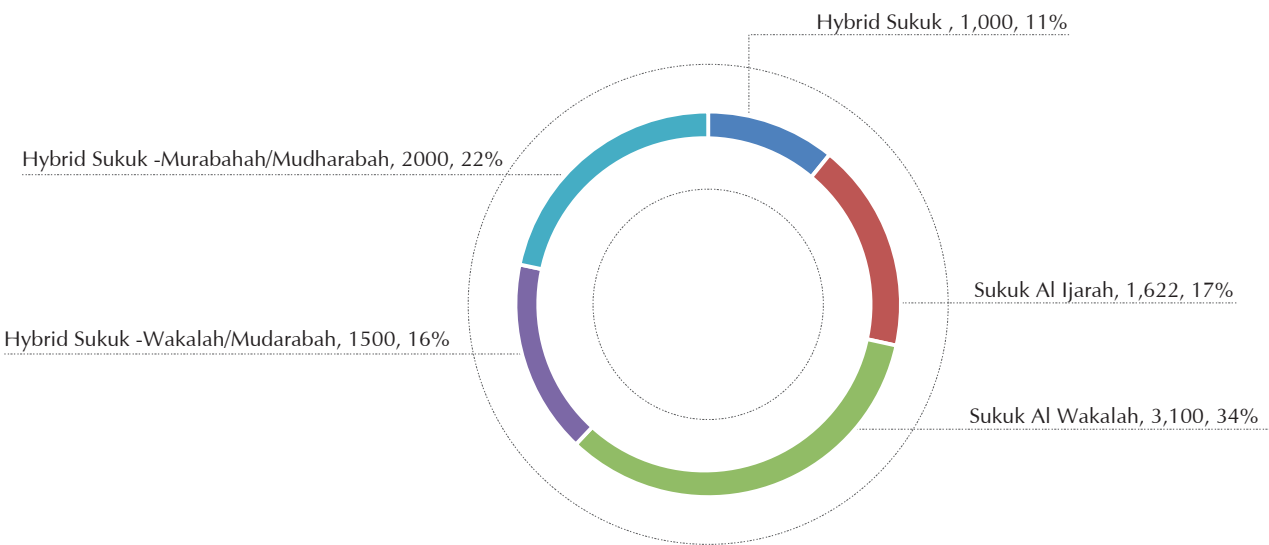
Islamic Exchangeable Sukuk is an other innovative structure and Khazanah Nasional of Malaysia has taken lead in issuing this type of Sukuk and perhaps this model need to be replicated by issuers in other jurisdictions also.

Chart 4C: Structural Break-up of International *Sukuk* Issuances by Issuer- All Tenors (USD Millions)

Sovereign *Sukuk* Issuances Jan 2001-Dec 2019



Sovereign *Sukuk* Issuances Jan 2018-Dec 2018



Sovereign *Sukuk* Issuances For The Year 2019

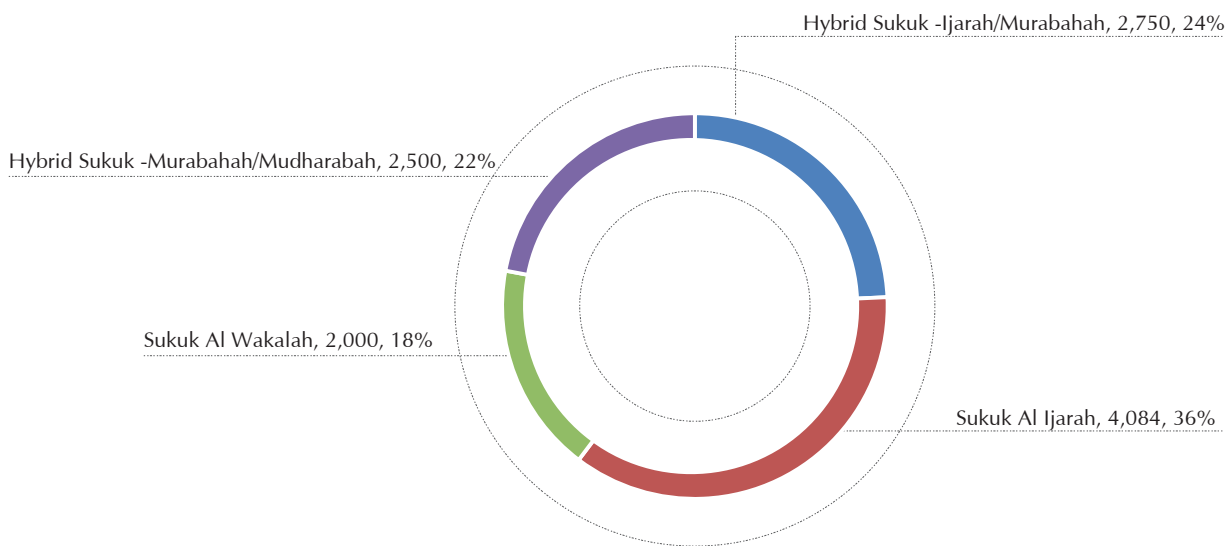
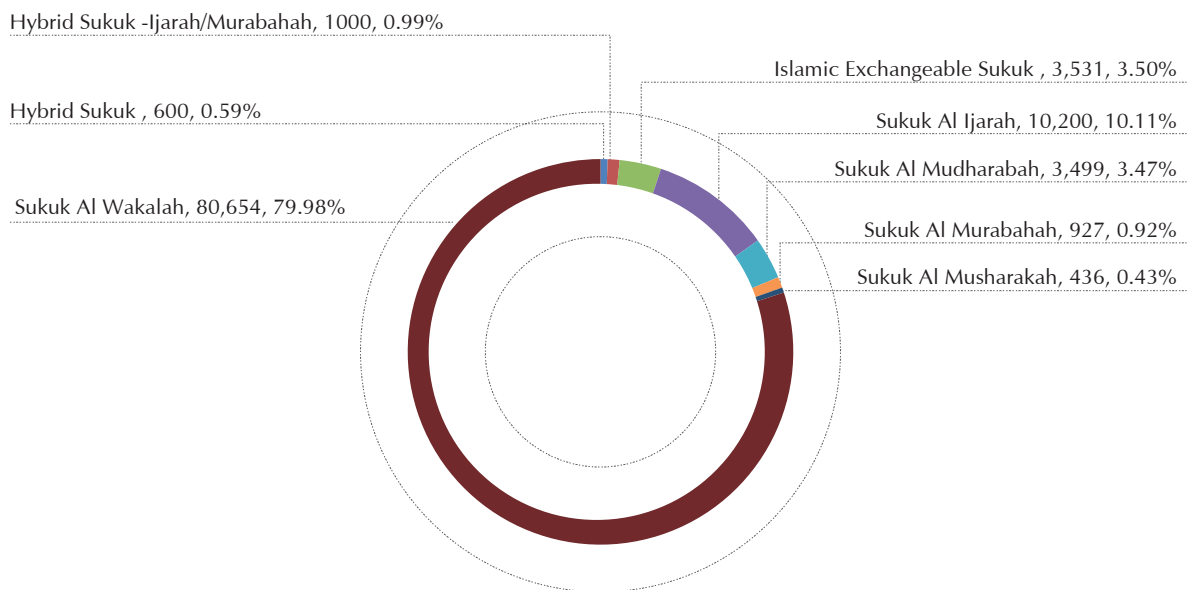
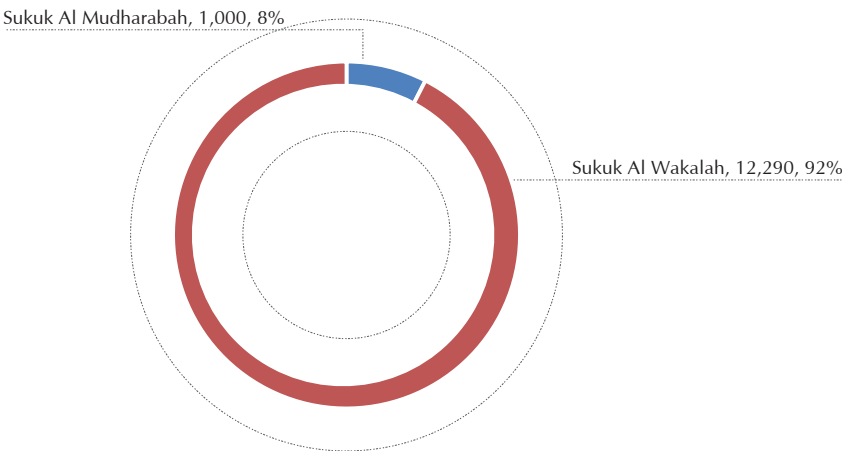


Chart 4C: Structural Break-up of International *Sukuk* Issuances by Issuer- All Tenors (USD Millions)

Quasi-Sovereign *Sukuk* Issuances Jan 2001-Dec 2019



Quasi-Sovereign *Sukuk* Issuances Jan 2018-Dec 2018



Quasi-sovereign *Sukuk* Issuances For The Year 2019

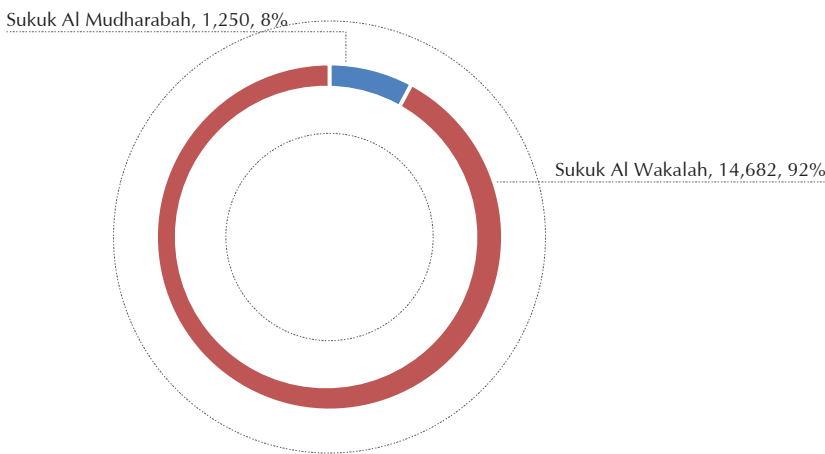
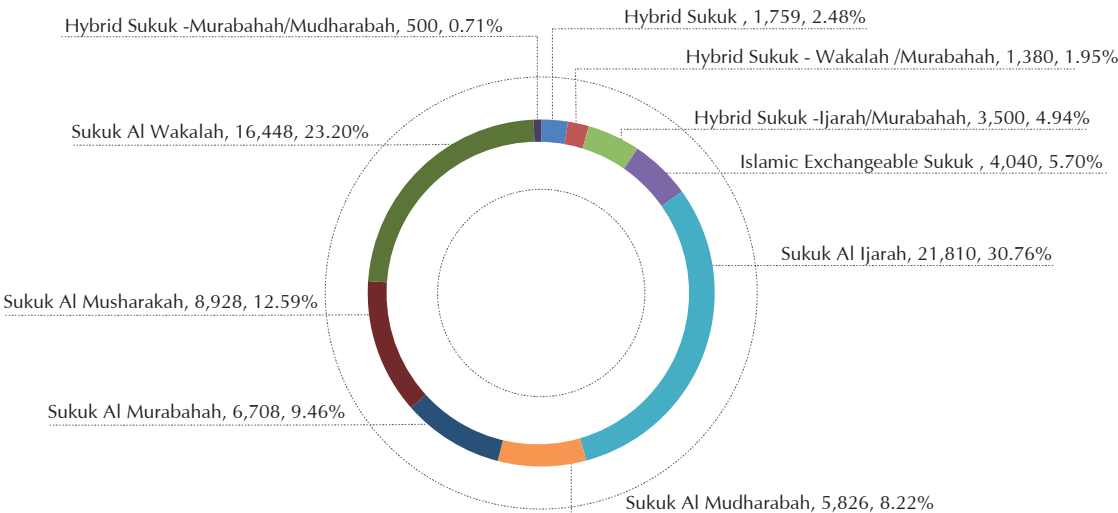
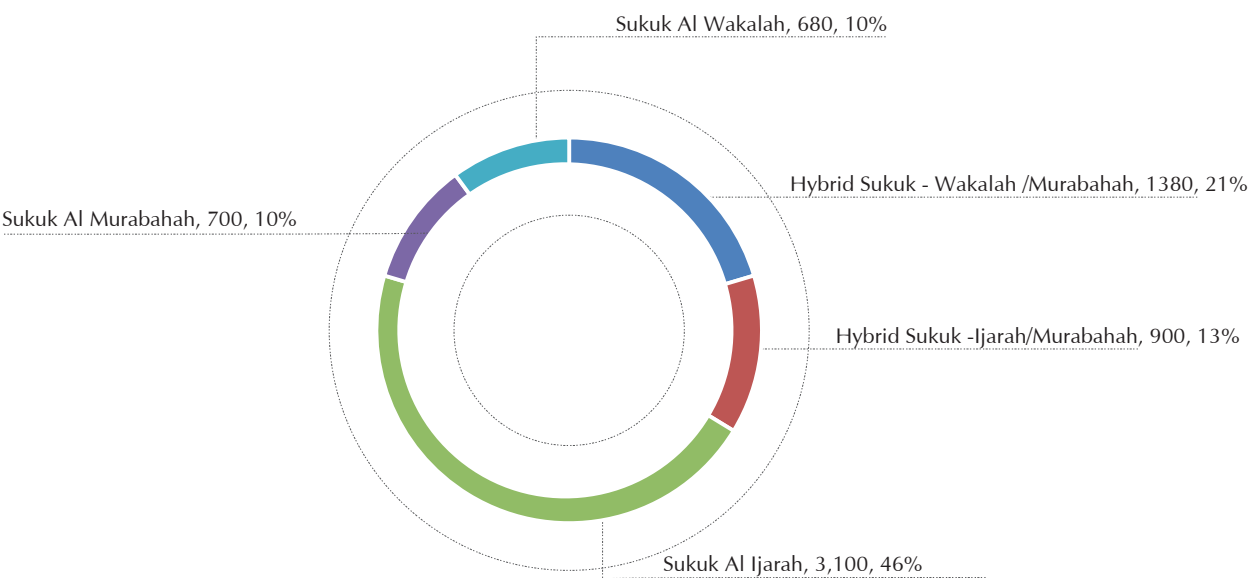


Chart 4C Structural Break-up of International *Sukuk* Issuances by Issuer- All Tenors (USD Millions)

Corporate *Sukuk* Issuances Jan 2001-Dec 2019



Corporate *Sukuk* Issuances Jan 2018-Dec 2018



Corporate *Sukuk* Issuances FOR THE YEAR 2019

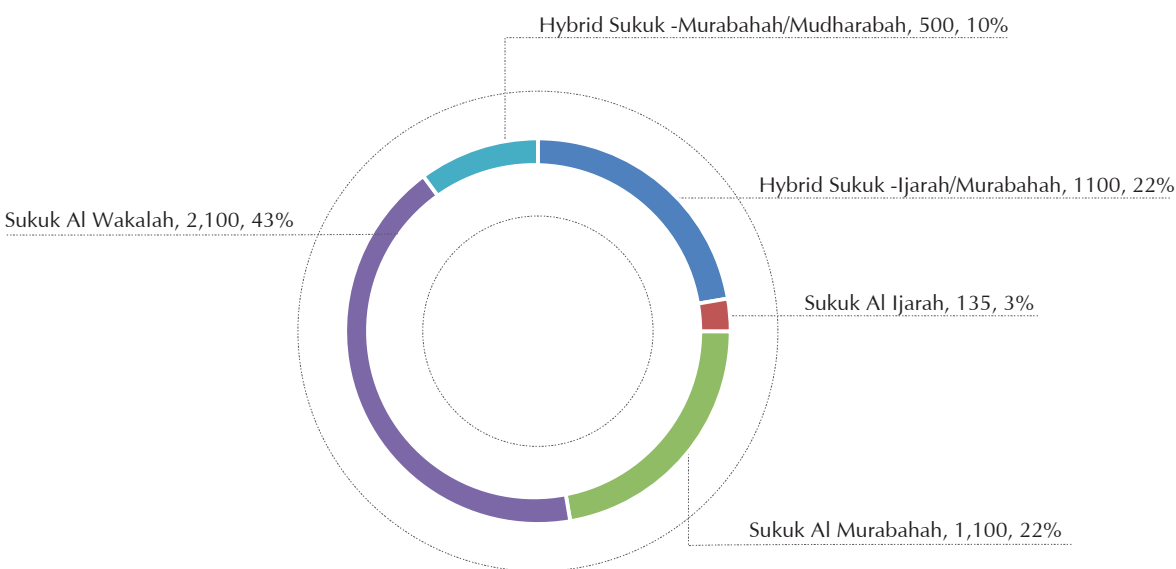
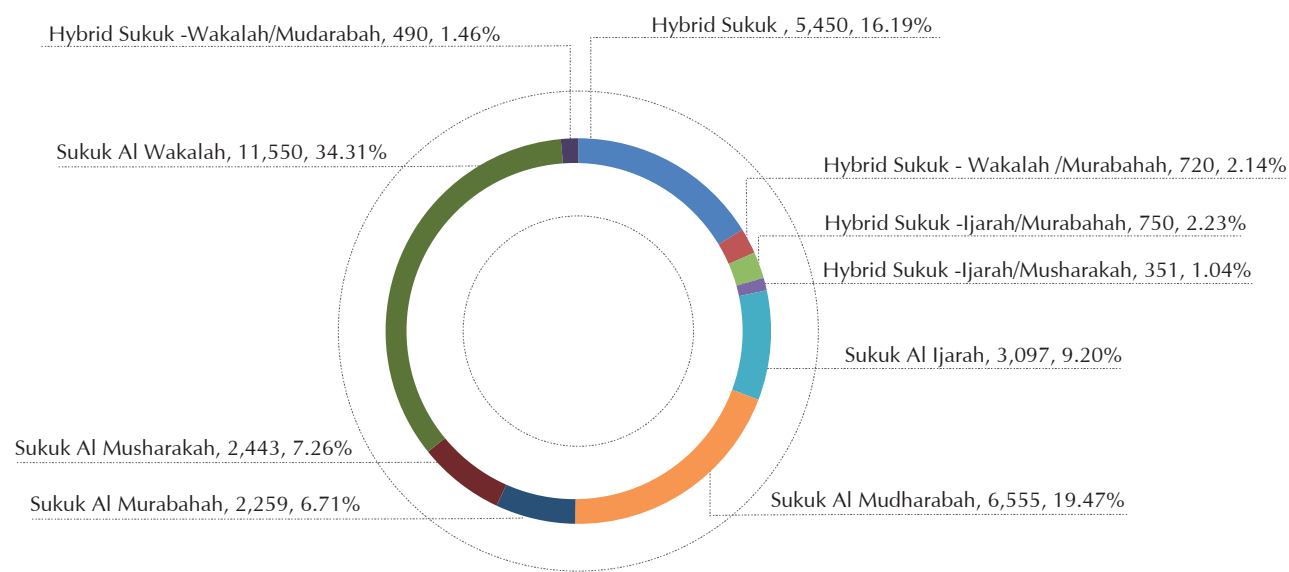
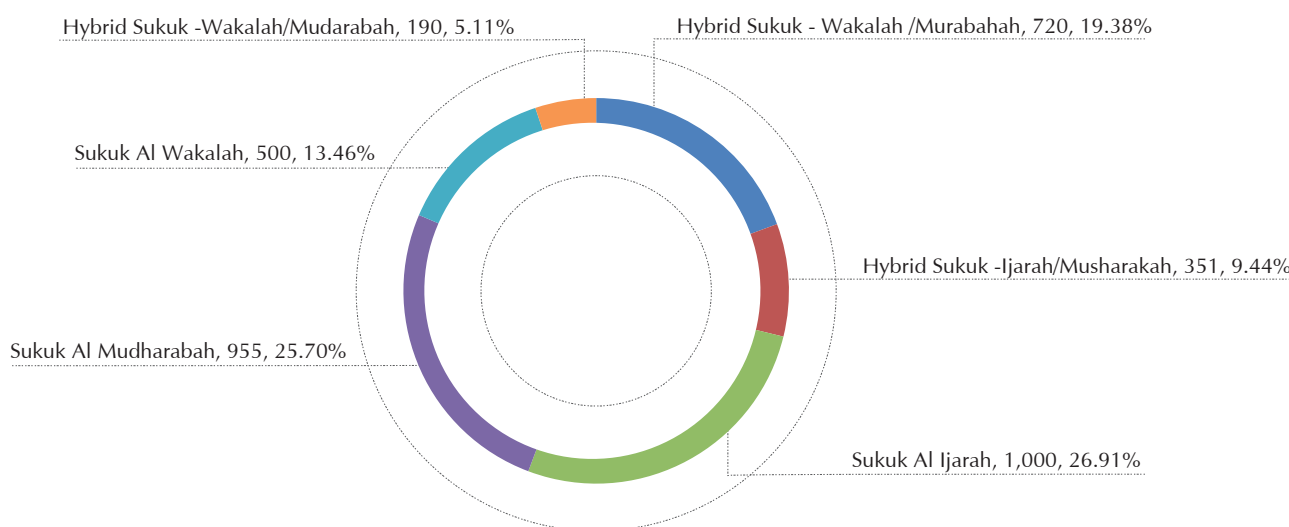


Chart 4C Structural Break-up of International *Sukuk* Issuances by Issuer- All Tenors (USD Millions)

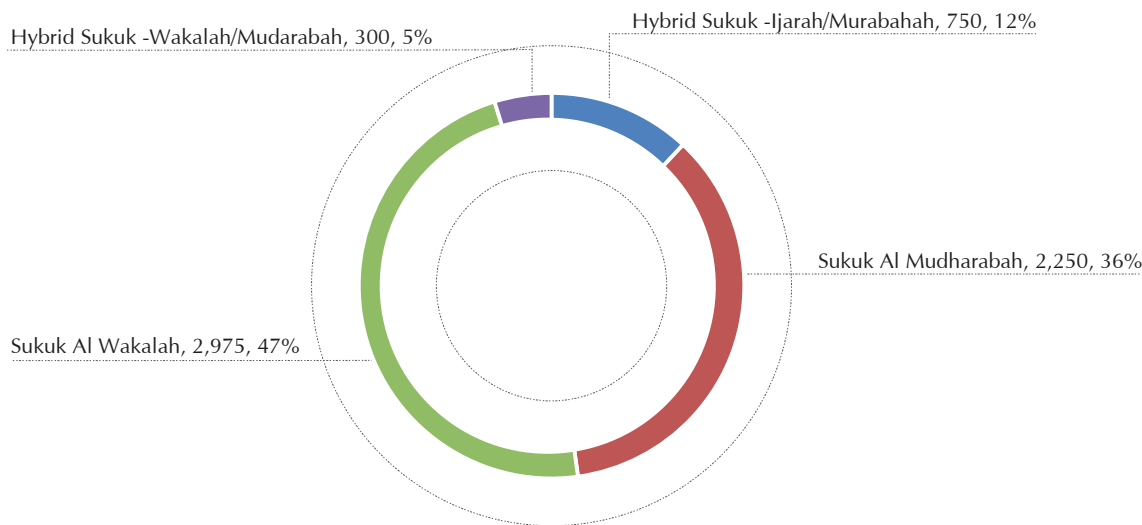
Fls *Sukuk* Issuances Jan 2001-Dec 2019



Fls *Sukuk* Issuances Jan 2018-Dec 2018



Fis Sukuk Issuances For The Year 2019



Source: IIFM Sukuk database

Similarly, as depicted in Chart 4D below, in the domestic market, on a historical basis, Murabahah continued to be the most favoured structure with all the issuers namely sovereign, quasi-sovereign, corporate and FIs. The quasi-sovereign, corporate, & FIs issuers in domestic markets also use Musharakah, Mudharabah, Ijarah, & Wakalah quite extensively while sovereign issuers tend to use Murabahah more than any other structure perhaps due to structuring ease and credit intensiveness of Sukuk Al Murabahah. Saudi Arabia is one of the few jurisdictions where sovereign has used the Hybrid Sukuk or Combination Sukuk based on Mudarabah & Murabahah structure.

Chart 4D: STRUCTURAL BREAK-UP OF DOMESTIC SUKUK ISSUANCES BY ISSUER STATUS (USD MILLIONS)

Sovereign Sukuk Issuances Jan 2001-Dec 2019

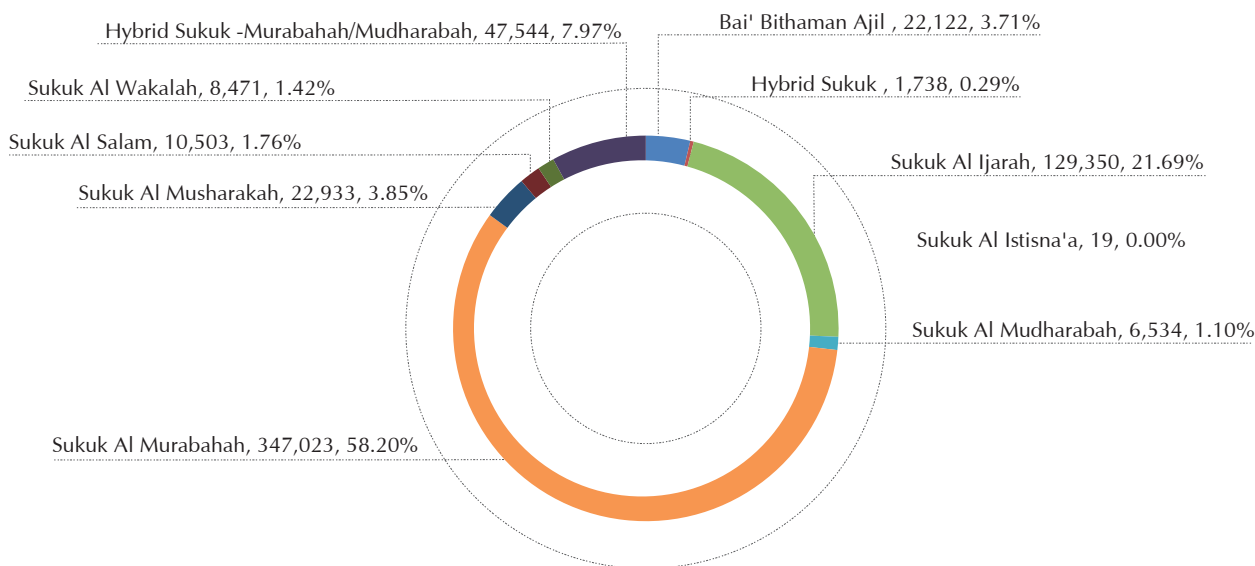
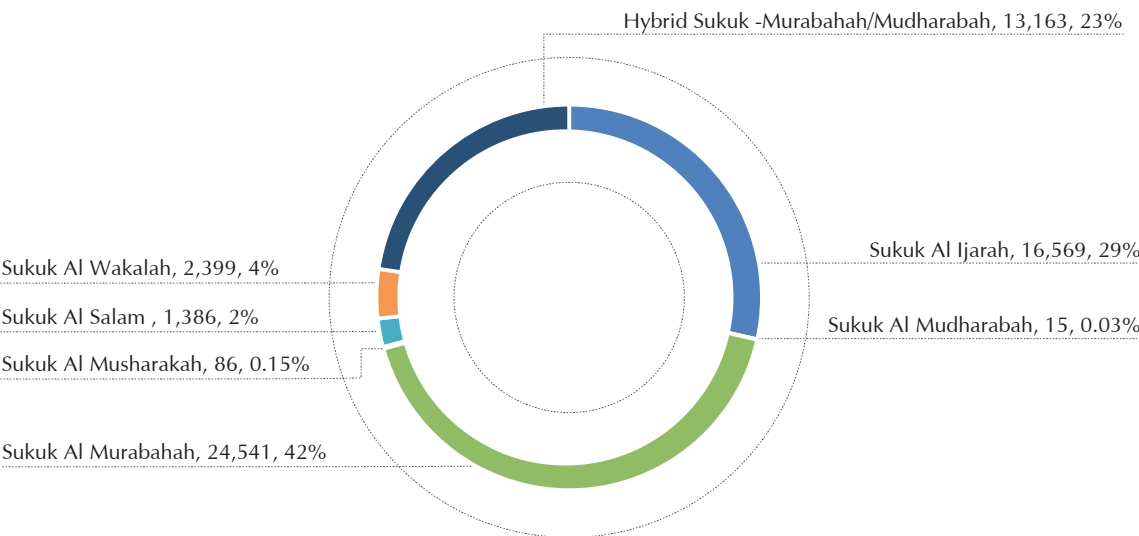


CHART 4D STRUCTURAL BREAK-UP OF DOMESTIC *SUKUK* ISSUANCES BY ISSUER STATUS (USD MILLIONS)

Sovereign *Sukuk* Issuances Jan 2018-Dec 2018



Sovereign *Sukuk* Issuances for the Year 2019

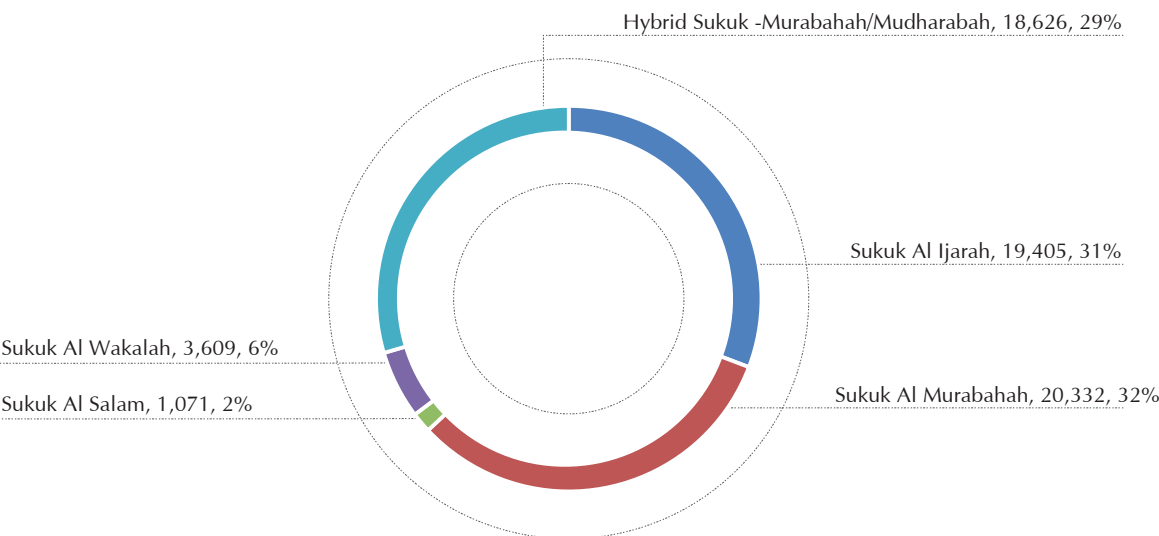


CHART 4D STRUCTURAL BREAK-UP OF DOMESTIC *SUKUK* ISSUANCES BY ISSUER STATUS (USD MILLIONS)

Quasi-Sovereign *Sukuk* Issuances Jan 2001-Dec 2019

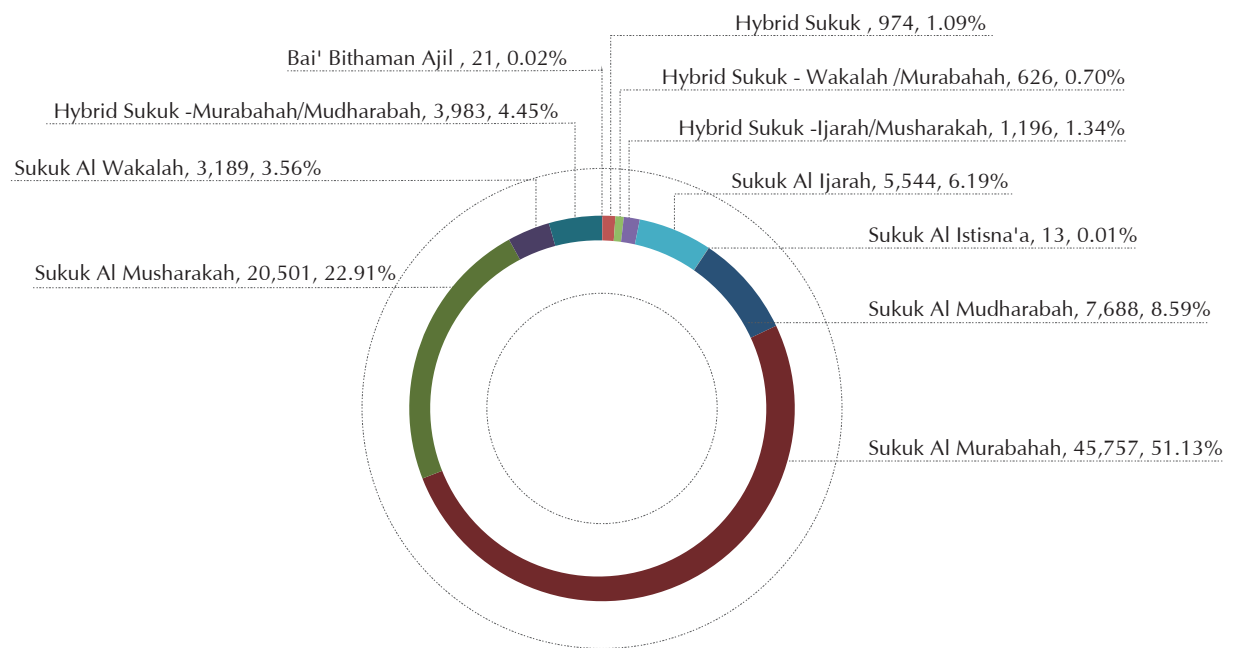
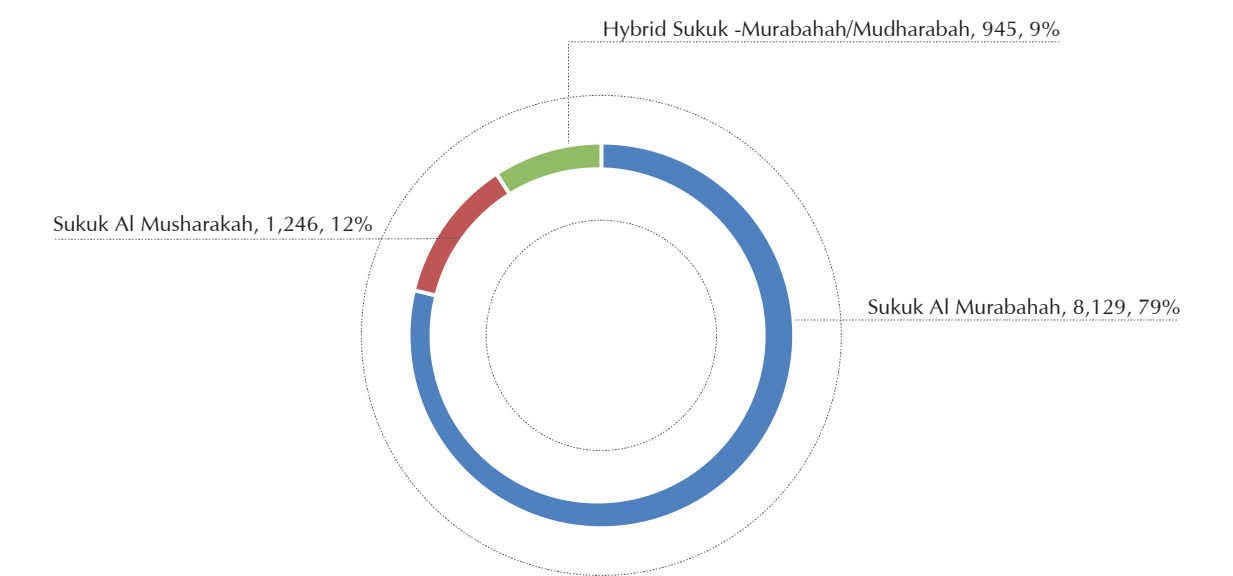


CHART 4D STRUCTURAL BREAK-UP OF DOMESTIC *SUKUK* ISSUANCES BY ISSUER STATUS (USD MILLIONS)

Quasi-Sovereign *Sukuk* Issuances Jan 2018-Dec 2018



Quasi-sovereign *Sukuk* Issuances For The Year 2019

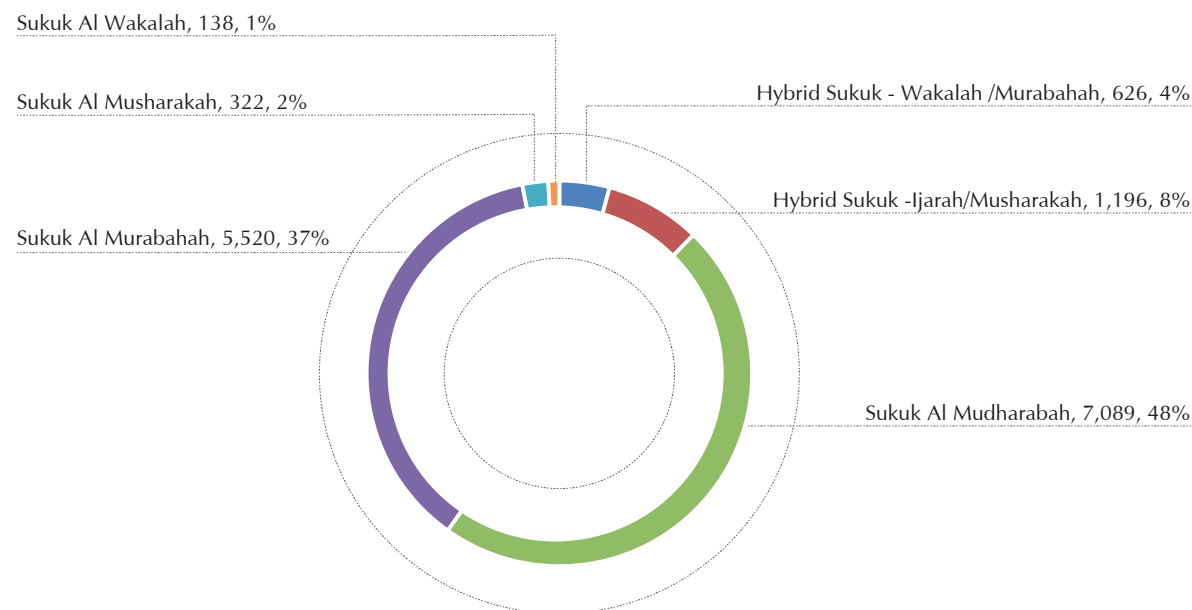


CHART 4D STRUCTURAL BREAK-UP OF DOMESTIC *SUKUK* ISSUANCES BY ISSUER STATUS (USD MILLIONS)

Corporate *Sukuk* Issuances Jan 2001-Dec 2019

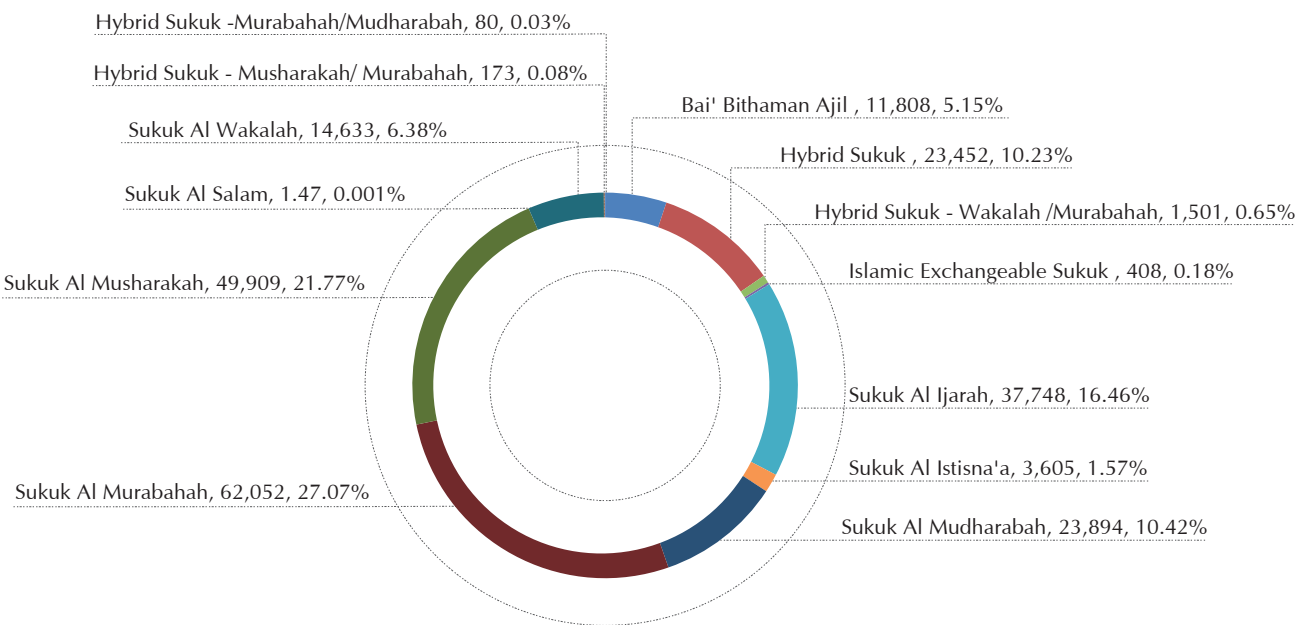
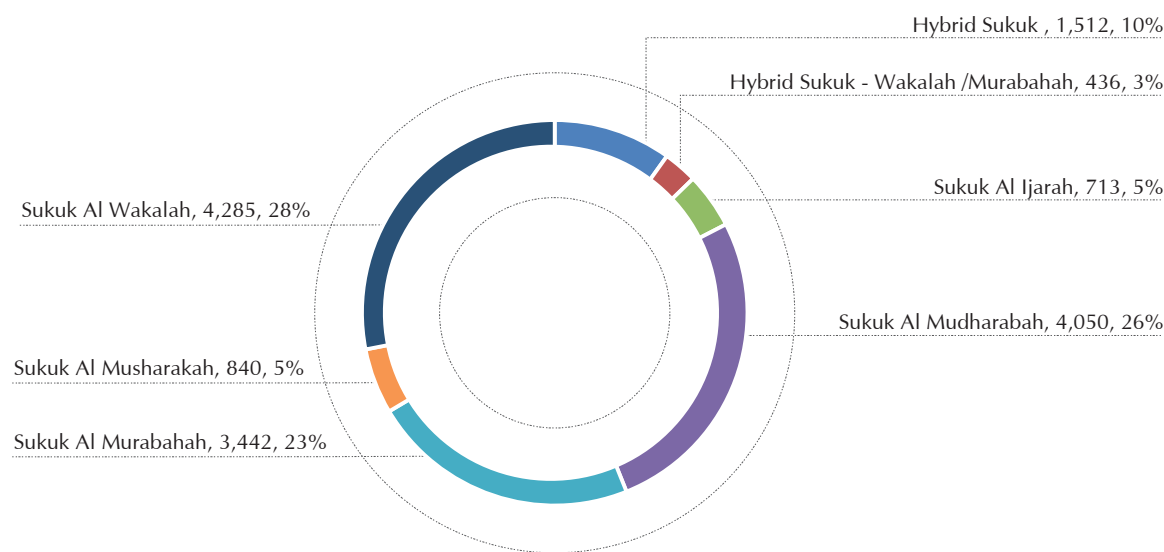


CHART 4D STRUCTURAL BREAK-UP OF DOMESTIC *SUKUK* ISSUANCES BY ISSUER STATUS (USD MILLIONS)

Corporate *Sukuk* Issuances Jan 2018-Dec 2018



Corporate *Sukuk* Issuances For The Year 2019

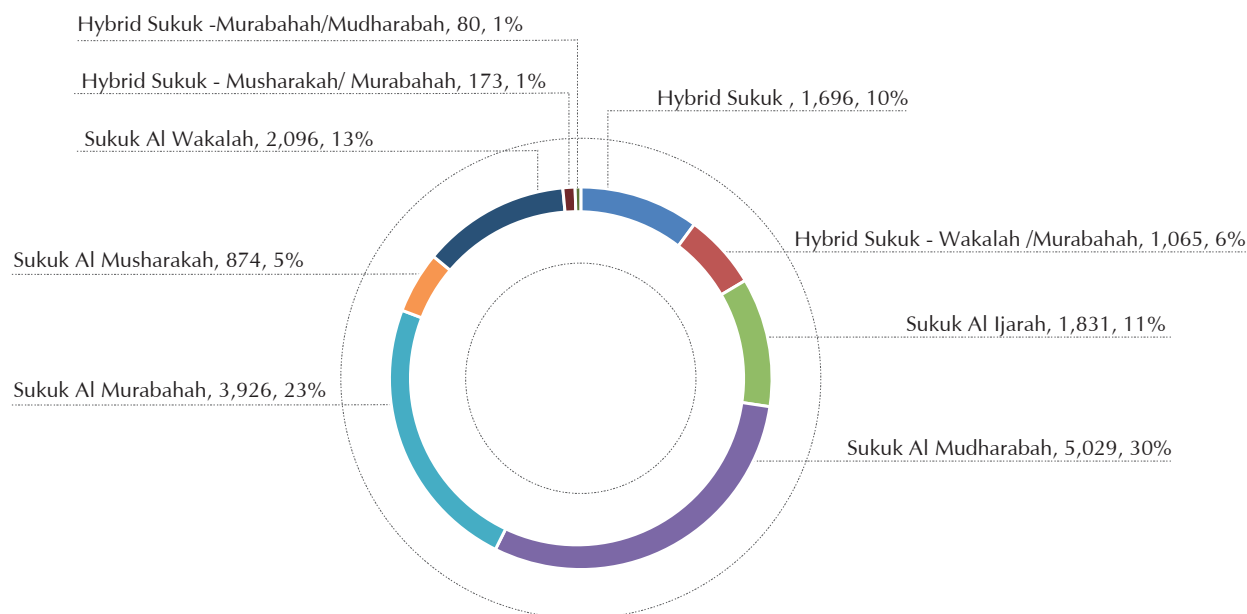


CHART 4D STRUCTURAL BREAK-UP OF DOMESTIC *SUKUK* ISSUANCES BY ISSUER STATUS (USD MILLIONS)

Fls *Sukuk* Issuances Jan 2001-Dec 2019

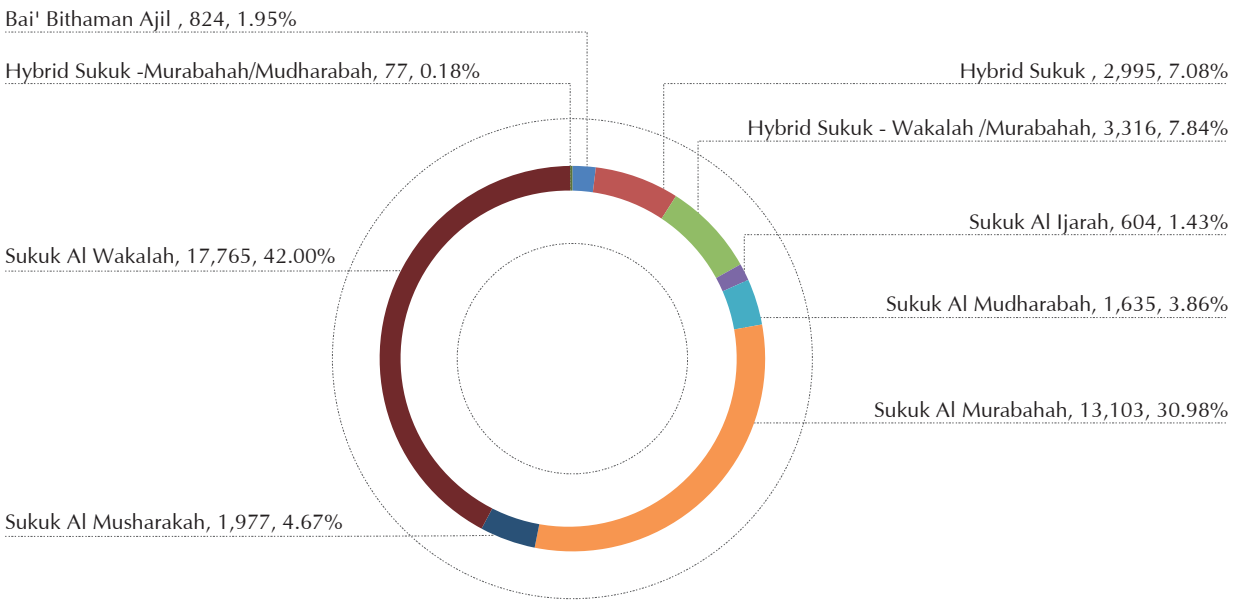
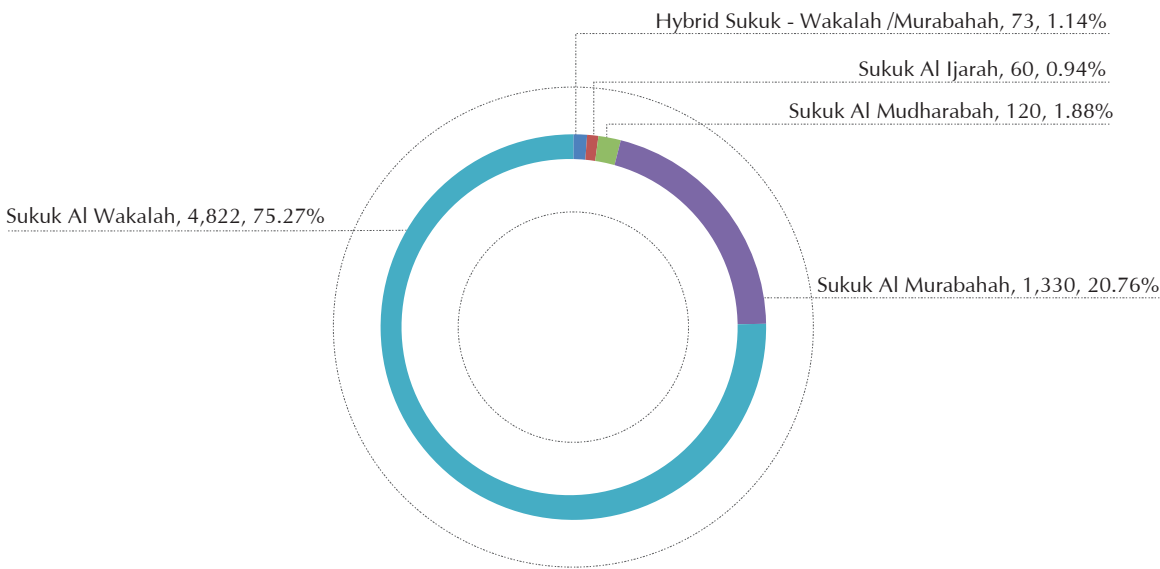
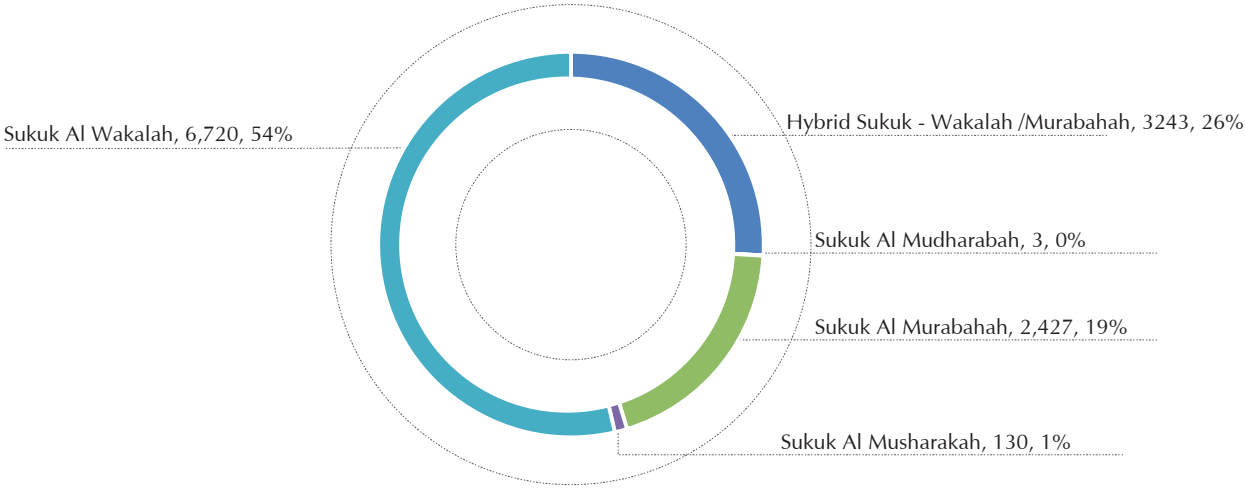


CHART 4D STRUCTURAL BREAK-UP OF DOMESTIC *SUKUK* ISSUANCES BY ISSUER STATUS (USD MILLIONS)

Fls *Sukuk* Issuances Jan 2018-Dec 2018



Fis Sukuk Issuances For The Year 2019



Source: IIFM Sukuk database

1.10 Geographical Break-up of Global Sukuk Market

Asia continues to be the dominant player in the global Sukuk market as shown in Table 8A below. In terms of region, Asia accounts for 69.46% of global Sukuk issuances since inception of the market followed by GCC & ME as the second largest destination of Sukuk issuance with market share 25.16% and it continue to be one of the key region driving the Sukuk market.

During 2019, as shown in Table 8B below, Asia continue to be the largest Sukuk issuing region with market share of around 58.52% followed by GCC & ME region with market share of 32.49%.

Among the jurisdictions Malaysia is a market leader and a dominant player in terms of issuances with market share of 43.16% as of 2019. Other jurisdictions in order of their approximate share in the global market are Indonesia (13.33%), Saudi Arabia (19.54%), UAE (6.39%), Bahrain (1.96%), Qatar (3.44%) and Turkey (8.97%) while Sudan is the most prolific issuer of Sukuk from Africa region with market share. The number of jurisdictions who are directly or indirectly issuing Sukuk are increasing year-over-year which in turn is keeping the Sukuk market progressive.

Table 8A: Regional Break-up of Global *Sukuk* Issuances (Jan 2001 – Dec 2019)

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Bangladesh	6	559	0.005%
Brunei Darussalam	173	10,949	0.878%
China	1	97	0.01%
Hong Kong	5	3,196	0.26%
Indonesia	490	98,908	7.93%
Japan	3	190	0.02%
Malaysia	7,090	733,748	58.83%
Maldives	2	10	0.001%
Pakistan	98	17,630	1.41%
Singapore	16	1,498	0.12%
Sri Lanka	2	5	0.0004%
Total	7,886	866,290	69.46%
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	437	33,735	2.70%
Jordan	4	483	0.04%
Kuwait	20	4,458	0.36%
Oman	13	6,188	0.50%
Qatar	53	33,667	2.70%
Saudi Arabia	217	146,291	11.73%
United Arab Emirates	140	88,688	7.11%
Yemen	2	253	0.02%
Total	886	313,764	25.16%
AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Gambia	429	407	0.03%
Ivory Coast	2	460	0.04%
Nigeria	5	864	0.07%
Mali	1	285	0.02%
Morocco	1	105	0.01%
South Africa	1	500	0.04%
Senegal	2	445	0.04%
Sudan	36	19,646	1.58%
Togo	1	245	0.02%
Total	478	22,956	1.84%
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
France	1	1	0.0001%
Germany	3	206	0.02%
Luxembourg	3	280	0.02%
Kazakhstan	1	77	0.01%

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Turkey	585	40,544	3.25%
United Kingdom	10	1,719	0.14%
USA	5	1,367	0.11%
Total	608	44,194	3.54%
Grand Total	9,858	1,247,204	100%

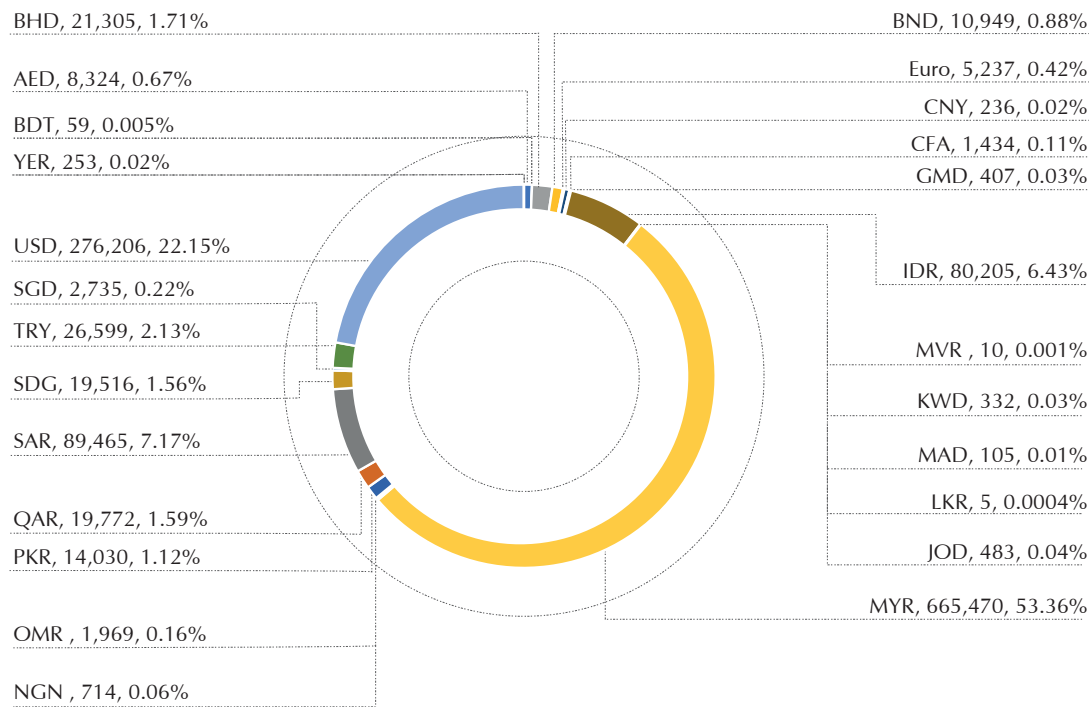
Source: IIFM Sukuk database

Table 8B: Regional Break-up of Global Sukuk Issuances for the Year 2019

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Bangladesh	2	21	0.015%
Brunei Darussalam	12	692	0.475%
Indonesia	84	19,416	13.33%
Malaysia	735	63,627	43.67%
Pakistan	9	1,508	1.03%
Total	842	85,264	58.52%
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	22	2,852	1.96%
Kuwait	2	800	0.55%
Oman	3	899	0.62%
Qatar	13	5,007	3.44%
Saudi Arabia	48	28,475	19.54%
United Arab Emirates	16	9,310	6.39%
Total	104	47,342	32.49%
AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Gambia	108	24	0.02%
Total	108	24	0.02%
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
Turkey	213	13,072	8.97%
Total	213	13,072	8.97%
Grand Total	1,267	145,702	100%

Chart 5A on the next page shows a currency-wise break-up of the overall global Sukuk market. Malaysian Ringgit is the dominant currency as the Malaysia has a deep local currency domestic market with issuance of 53.36% (MYR 665.45 billion) since inception. Sukuk issuance denominated in USD works out to be 22.15% (USD 276.20 Billion) of the entire global Sukuk market. It is promising to see that Sukuk have been issued in 26 different currencies apart from USD and the Malaysian Ringgit. As more and more sovereigns step up to provide liquidity in their local markets, we can clearly see the significance of GCC, Indonesia, Turkey, Pakistan and other Asian currencies rising over time.

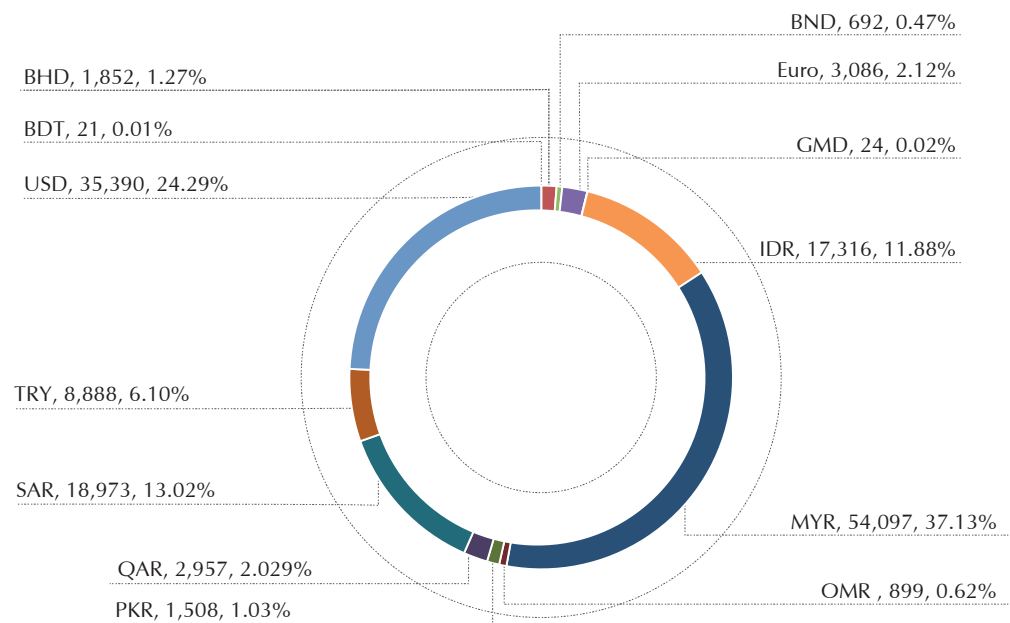
CHART 5A: GLOBAL SUKUK ISSUANCES CURRENCY BREAK-UP - ALL TENORS (JAN 2001- DEC 2019, USD MILLIONS)



Source: IIFM Sukuk database

During 2019, as shown in Chart 5B below, Malaysian Ringgit maintained its number one position with share of 37.13% (MYR 54.09 Billion) followed by USD issuances of 24.29% (USD 35.39 Billion), Saudi Riyal of 13.02% (SAR 18.97 Billion), Indonesian Rupiah of 11.88% (IDR 17.31 Billion) and Turkish Lira of 6.10% (TRY 8.89 Billion).

Chart 5B: GLOBAL SUKUK ISSUANCES CURRENCY BREAK-UP - ALL TENORS (JAN 2019- DEC 2019, USD MILLIONS)



Source: IIFM Sukuk database

1.11 Sukuk Maturities 2019 through 2021

This section provides a snapshot of Sukuk matured in the year 2019 and about to mature in the coming two years in the international and domestic markets. Depending upon the economic and market conditions, it may represent additional liquidity being made available into the system as well as hint at prospective re-issuance in the pipeline.

Tables 9A, 9B and 9C show the maturity picture in the international market. The Sukuk maturity in 2019 works out to be USD 15.52 billion while redemptions in 2020 and 2021 will also be quite substantial at USD 10.50 billion and USD 16.08 billion respectively. In 2019, the biggest individual Sukuk maturity come from IsDB USD 4.00 billion, DAMAC Properties USD 0.65 billion, Government of Pakistan USD 1.00 billion, Jebel Ali Free Zone USD 0.650 billion, Dubai Islamic Bank USD 1.00 billion, Kuvet Turk USD 0.500, Governmen of Bahrain USD 0.450 billion and Government of Indonesia USD 1.50 billion).

TABLE 9A: International *Sukuk* Matured 2019, Amount ≥ USD 100 Million

Issue Year	Issuer	Issuer Country	Currency	Sukuk Type	<i>Sukuk</i> Structure	USD Million or Equivalent	Tenor (Years)	Maturity Date
2014	Malaysia Export-Import Bank (Mexim)	Malaysia	USD	Sovereign	<i>Sukuk Al Wakalah</i>	300	5	10-Feb-19
2014	Dubai Investments Park	United Arab Emirates	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	300	5	20-Feb-19
2014	Islamic Development Bank	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,500	5	28-Feb-19
2014	Islamic Development Bank	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,500	5	6-Mar-19
2013	Perusahaan Penerbit SBSN Indonesia	Indonesia	USD	Sovereign	<i>Sukuk Al Ijarah</i>	1,500	5.5	17-Mar-19
2014	Bumitama Agri Ltd	Singapore	MYR	Corporate	<i>Sukuk Al Musharakah</i>	153	5	18-Mar-19
2013	Dubai Islamic Bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Murabahah</i>	1,000	6	19-Mar-19
2012	Khazanah Nasional Bhd	Malaysia	USD	Quasi-Sovereign	<i>Sukuk Al Musharakah</i>	358	7	21-Mar-19
2014	ATLANTICLUX Lebensversicherung S.A. (ATL)	Luxembourg	USD	Corporate	<i>Sukuk Al Wakalah</i>	40	5	8-Apr-19
2014	Damac Properties	United Arab Emirates	USD	Corporate	<i>Sukuk Al Ijarah</i>	650	60	9-Apr-19
2016	Govt of Bahrain	Bahrain	USD	Sovereign	<i>Sukuk Al Ijarah</i>	450	3	17-May-19
2014	Dar Al Arkan Real Estate Development Company (Dar Al Arkan)	Saudi Arabia	USD	Corporate	<i>Sukuk Al Wakalah</i>	400	5	27-May-19
2006	FEC Cables (M) Sdn Bhd	Malaysia	USD	Corporate	<i>Sukuk Al Murabahah</i>	130	13	14-Jun-19
2006	East Cameron Gas Company	USA	USD	Corporate	<i>Sukuk Al Musharakah</i>	167	13	15-Jun-19
2012	Jebel Ali Free Zone	United Arab Emirates	USD	Corporate	<i>Sukuk Al Wakalah</i>	650	7	19-Jun-19
2014	Government of United Kingdom	United Kingdom	GBP	Sovereign	<i>Sukuk Al Ijarah</i>	340	5	25-Jun-19
2014	Kuveyt Turk Katilim Bankasi A.S (KFH-Turkey)	Turkey	USD	Fls	Hybrid <i>Sukuk</i>	500	5	26-Jun-19
2014	Albaraka Turk	Turkey	USD	Fls	<i>Sukuk Al Wakalah</i>	350	5	30-Jun-19
2014	Government of Turkey	Turkey	MYR	Sovereign	<i>Sukuk Al Ijarah</i>	188	5.1	30-Jun-19

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2014	Islamic Development Bank	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,000	5	17-Jul-19
2012	Emaar Properties	United Arab Emirates	USD	Corporate	<i>Sukuk Al Ijarah</i>	500	7	18-Jul-19
2016	Malaysia Export-Import Bank (Mexim)	Malaysia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	52	3	5-Aug-19
2017	Al Hilal Bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Wakalah</i>	100	2	7-Aug-19
2014	Government of Hong Kong	Hong kong	USD	Sovereign	<i>Sukuk Al Ijarah</i>	1,000	5	11-Sep-19
2014	The Goldman Sachs Group, Inc.	USA	USD	Corporate	<i>Sukuk Al Wakalah</i>	500	5	23-Sep-19
2014	Government of Luxembourg	Luxembourg	Euro	Sovereign	<i>Sukuk Al Ijarah</i>	220	5	7-Oct-19
2014	Drake & Scull	United Arab Emirates	USD	Corporate	<i>Sukuk Al Murabahah</i>	120	5	12-Nov-19
2014	FlyDubai	United Arab Emirates	USD	Corporate	<i>Sukuk Al Wakalah</i>	500	5	26-Nov-19
2014	Government of Pakistan	Pakistan	USD	Sovereign	<i>Sukuk Al Ijarah</i>	1,000	5	3-Dec-19
2012	FWU AG Group (FWU)	Germany	USD	Corporate	<i>Sukuk Al Ijarah</i>	55	7	12-Dec-19
Total Maturity Value						15,522		

Source: IIFM Sukuk database

TABLE 9B: International Sukuk Maturing 2020, Amount > USD 100 MillionSource: IIFM Sukuk database

Issue Year	Issuer	Issuer Country	Currency	Sukuk Type	<i>Sukuk Structure</i>	USD Million or Equivalent	Tenor (Years)	Maturity Date
2018	Turkish Ministry of Finance	Turkey	Euro	Sovereign	<i>Sukuk Al Ijarah</i>	622	2	20-Dec-20
2017	Africa Finance Corporation	Nigeria	USD	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	150	3	24-Jan-20
2015	Axiata	Malaysia	USD	Corporate	<i>Sukuk Al Wakalah</i>	500	5	13-Nov-20
2015	Arab Petroleum Investments Corporation - Apicorp	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	500.00	5	22-Oct-20
2015	Qatar Islamic Bank	Qatar	USD	Fls	<i>Sukuk Al Mudharabah</i>	750	5	20-Oct-20
2015	International Finance Corporation (IFC)	USA	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	100	5	9-Sep-20

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2015	Government of Indonesia	Indonesia	USD	Sovereign	<i>Sukuk Al Ijarah</i>	118	5	27-Jul-20
2015	Garuda Indonesia	Indonesia	USD	Corporate	<i>Sukuk Al Wakalah</i>	500	5	29-May-20
2015	Government of Hong Kong	Hong Kong	USD	Sovereign	<i>Hybrid Sukuk</i>	1,000	5	28-May-20
2015	Dubai Islamic Bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Wakalah</i>	750	5	18-May-20
2015	Noor Bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Wakalah</i>	500	5	22-Apr-20
2015	Sharjah Islamic Bank (SIB)	United Arab Emirates	USD	Fls	<i>Sukuk Al Ijarah</i>	500	5	17-Mar-20
2015	Islamic Development Bank	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,000.00	5	12-Mar-20
2015	Petroliam Nasional Bhd (Petronas)	Malaysia	USD	Corporate	<i>Sukuk Al Wakalah</i>	1,250	5	11-Mar-20
2014	Government of South Africa	South Africa	USD	Sovereign	<i>Sukuk Al Ijarah</i>	500	5.75	24-Jun-20
2014	Investment Corporation of Dubai (ICD)	United Arab Emirates	USD	Quasi-Sovereign	<i>Sukuk Al Ijarah</i>	700	6	21-May-20
2013	First Resources	Singapore	MYR	Corporate	<i>Sukuk Al Musharakah</i>	239	7	6-Jun-20
2010	National Bank of Abu Dhabi	United Arab Emirates	MYR	Fls	<i>Sukuk Al Murabahah</i>	161	10	28-Dec-20
2010	Khazanah Nasional Bhd	Malaysia	SGD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	662	10	4-Aug-20
Total Maturity Value						10,502		

TABLE 9C: International *Sukuk* Maturing 2021, Amount ≥ USD 100 Million

Issue Year	Issuer	Issuer Country	Currency	Sukuk Type	<i>Sukuk</i> Structure	USD Million or Equivalent	Tenor (Years)	Maturity Date
2019	Turkish Finance Ministry	Turkey	Euro	Sovereign	<i>Sukuk Al Ijarah</i>	1984	2	6-Feb-21
2018	Government of Indonesia	Indonesia	USD	Sovereign	<i>Sukuk Al Wakalah</i>	100	3	15-Nov-21
2018	Qatar islamic Bank	Qatar	USD	Fls	<i>Hybrid Sukuk - Wakalah /Murabahah</i>	100	3	29-May-21
2018	Al Rayan bank	United Kingdom	GBP	Fls	<i>Hybrid Sukuk - Ijarah/Musharakah</i>	351	3	17-Feb-21
2016	Etihad Airways	United Arab Emirates	USD	Corporate	<i>Sukuk Al Wakalah</i>	1500	5	4-Dec-21

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2016	Islamic Development Bank	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,200.00	5	3-Dec-21
2016	Kuveyt Türk	Turkey	USD	Fls	<i>Sukuk Al Wakalah</i>	500	5	6-Nov-21
2016	Government of Pakistan	Pakistan	USD	Sovereign	<i>Sukuk Al Ijarah</i>	1000	5	7-Oct-21
2016	Sharjah Islamic bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Ijarah</i>	500	5	8-Sep-21
2016	Khazanah Nasional berhad (DANGA CAPITAL BHD)	Malaysia	USD	Quasi-Sovereign	Islamic Exchangeable <i>Sukuk</i>	399	5	1-Sep-21
2016	Govt of Turkey (Hazine Mustesarligi Varlik kiralama Anonmin sirketi)	Turkey	USD	Sovereign	<i>Sukuk Al Ijarah</i>	1000	5	8-Jun-21
2016	Emirates Islamic Bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Wakalah</i>	750	5	24-May-21
2016	Ezden Holding Group	Qatar	USD	Corporate	<i>Sukuk Al Wakalah</i>	500	5	18-May-21
2016	ICD Sukuk - Hilal Services	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	300.00	5	13-Apr-21
2016	Dubai Islamic Bank	United Arab Emirates	USD	Fls	<i>Sukuk Al Wakalah</i>	500	5	30-Mar-21
2016	Govt of Indonesia (Perusahaan Penerbit SSBN Indonesia III) SNI	Indonesia	USD	Sovereign	<i>Sukuk Al Wakalah</i>	750	5	29-Mar-21
2016	Islamic Development Bank	Saudi Arabia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	1,500.00	5	10-Mar-21
2016	Govt of Sharjah (Sharjah Sukuk Limited)	United Arab Emirates	USD	Sovereign	<i>Sukuk Al Ijarah</i>	500	5	27-Jan-21
2016	Khazanah Nasional berhad (DANGA CAPITAL BHD)	Malaysia	USD	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	750	5	3-Feb-21
2014	Bahrain Mumtalakat Holding Company	Bahrain	USD	Quasi-Sovereign	Hybrid <i>Sukuk</i>	600	7	25-Nov-21
2014	Khazanah Nasional Bhd	Malaysia	USD	Quasi-Sovereign	Islamic Exchangeable <i>Sukuk</i>	500	7	24-Sep-21
2011	Government of Malaysia	Malaysia	USD	Sovereign	<i>Sukuk Al Wakalah</i>	800	10	6-Jul-21
Total Maturity Value						16,084		

Source: IIFM Sukuk database

The three tables 10A, 10B and 10C provide the maturity profile of the domestic Sukuk market. USD 22.66 billion of domestic Sukuk matured in the year 2019 while the year 2020 and 2021 will also have sizeable maturities of around USD 23.31 billion and USD 20.93 billion respectively. The Sukuk maturities in 2019 were mainly from Far East particularly Malaysia and GCC while the Sukuk maturities for the years 2020 and 2021 will be around USD 23.31 billion & USD 20.93 billion respectively where Malaysia will have the largest share of maturities. The other jurisdictions such as Indonesia, GCC & ME and Turkey will also have a number of Sukuk maturing during these two years.

TABLE 10A: Domestic Sukuk Matured 2019, Amount > USD 100 Million

Issue Year	Issuer	Issuer Country	Currency	Sukuk Type	Sukuk Structure	USD Million or Equivalent	Tenor (Years)	Maturity Date
2004	Ranhill Utilities Berhad	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	184	15	01-Jan-19
2014	Qatar Central Bank	Qatar	QAR	Sovereign	<i>Sukuk Al Murabahah</i>	1,097	5	16-Jan-19
2014	Pengurusan Air SPV Berhad (PASB)	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	301	5	07-Feb-19
2014	Ministry of Finance (Indonesia)	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	166	5	11-Feb-19
2016	Government of Pakistan	Pakistan	PKR	Sovereign	<i>Sukuk Al Ijarah</i>	1,109	3	15-Feb-19
2014	National Commercial Bank	Saudi Arabia	SAR	Fls	<i>Sukuk Al Murabahah</i>	1,300	5	20-Feb-19
2015	Sukuk Perumahan Kerajaan (SPK)	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	118	3.5	21-Feb-19
2012	Al Marai Company	Saudi Arabia	SAR	Corporate	<i>Hybrid Sukuk</i>	267	7	07-Mar-19
2016	Government of Indonesia- SR008	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	2,331	3	11-Mar-19
2014	Syarikat Prasarana Negara Berhad (δPrasaranaδ)	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	457	5	12-Mar-19
2014	Gamuda Berhad	Malaysia	MYR	Corporate	<i>Hybrid Sukuk</i>	122	5	13-Mar-19
2004	Guthrie Property Development	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	197	15	19-Mar-19
2014	SME Bank Berhad	Malaysia	MYR	Fls	<i>Sukuk Al Wakalah</i>	122	5	20-Mar-19
2012	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	313	7	21-Mar-19
2014	Bank Rakyat (Bank Kerjasama Rakyat Malaysia Bhd)	Malaysia	MYR	Fls	<i>Sukuk Al Musharakah</i>	128	5	24-Mar-19

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2014	Perbadanan Tabung Pendidikan Tinggi Nasional	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	122	5	28-Mar-19
2016	Govt of Pakistan	Pakistan	PKR	Sovereign	<i>Sukuk Al Ijarah</i>	767	3	29-Mar-19
2012	Government of Malaysia (GII)	Malaysia	MYR	Sovereign	<i>Bai' Bithaman Ajil</i>	1,463	7	30-Mar-19
2006	Penang Port Sdn Bhd	Malaysia	MYR	Corporate	<i>Sukuk Al Istisna'a</i>	183	13	31-Mar-19
2005	Time Engineering (Musarakah One Capital Bhd)	Malaysia	MYR	Corporate	<i>Sukuk Al Musharakah</i>	658	14	04-Apr-19
2013	Malakoff Power Sdn. Bhd.	Malaysia	MYR	Corporate	Hybrid Sukuk	232	6.25	18-Apr-19
2014	Midciti Sukuk Berhad	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	122	5	25-Apr-19
2013	Government of Malaysia	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	1,112	5.5	30-Apr-19
2013	Government of Malaysia	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	953	5.5	30-Apr-19
2012	Saudi Arabia National Industrialisation Company	Saudi Arabia	SAR	Corporate	Hybrid Sukuk	533	7	21-May-19
2013	Government of Malaysia	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	1,248	5.5	22-May-19
2005	Projek Lebuhraya Utara-Selatan Berhad (PLUS)	Malaysia	MYR	Corporate	<i>Bai' Bithaman Ajil</i>	634	14	09-Jun-19
2012	Johor Corporation	Malaysia	MYR	Corporate	<i>Sukuk Al Wakalah</i>	251	7	14-Jun-19
2005	Projek Lebuhraya Utara-Selatan Berhad (PLUS)	Malaysia	MYR	Corporate	<i>Bai' Bithaman Ajil</i>	634	14	17-Jun-19
2006	Projek Lebuhraya Utara-Selatan Berhad (PLUS)	Malaysia	MYR	Corporate	<i>Bai' Bithaman Ajil</i>	161	13	17-Jun-19
2011	Pengurusan Aset Air Berhad	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	164	8	17-Jun-19
2005	Ranhill Powertron Sdn Bhd	Malaysia	MYR	Corporate	<i>Bai' Bithaman Ajil</i>	142	14	26-Jun-19
2004	Kapar Energy Ventures Sdn Bhd	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	895	15	08-Jul-19
2012	Government of Malaysia	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	347	7	12-Jul-19
2012	Tanjung Bin Power	Malaysia	MYR	Corporate	<i>Sukuk Al Ijarah</i>	168	7	16-Aug-19

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2016	Qatar Government Sukuk	Qatar	QAR	Sovereign	<i>Sukuk Al Wakalah</i>	165	3	16-Aug-19
2009	Khazanah Nasional Bhd	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Musharakah</i>	425	10	27-Aug-19
2014	Rantau Abang Capital (IMTN)	Malaysia	MYR	Corporate	<i>Sukuk Al Musharakah</i>	353	5	28-Aug-19
2012	Celcom Transmission	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	481	7	29-Aug-19
2014	Bumitama Agri Ltd	Malaysia	MYR	Corporate	<i>Sukuk Al Musharakah</i>	118	5	02-Sep-19
2014	HSBC Amanah Malaysia Bhd	Malaysia	MYR	Fls	<i>Sukuk Al Wakalah</i>	118	5	16-Oct-19
2004	SAJ Holdings Sdn Bhd	Malaysia	MYR	Corporate	<i>Bai' Bithaman Ajil</i>	337	15	25-Oct-19
2011	Manjung Island Energy Berhad	Malaysia	MYR	Corporate	<i>Sukuk Al Ijarah</i>	164	8	25-Nov-19
2012	Saudi Hollandi Bank	Saudi Arabia	SAR	Fls	<i>Sukuk Al Murabahah</i>	373	7	26-Nov-19
2013	Malakoff Power Sdn. Bhd.	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	204	6	17-Dec-19
2012	Banque Saudi Fransi	Saudi Arabia	SAR	Corporate	<i>Sukuk Al Mudharabah</i>	507	7	18-Dec-19
2009	Saudi Hollandi Bank	Saudi Arabia	SAR	Fls	<i>Sukuk Al Mudharabah</i>	193	10	25-Dec-19
2013	BGSM Management Sdn Bhd	Malaysia	MYR	Corporate	<i>Sukuk Al Musharakah</i>	224	6	27-Dec-19
Total Maturity Value						22,662		

Table 10 B: Domestic Sukuk Maturing 2020,> USD 100 Million

Issue Year	Issuer	Issuer Country	Currency	Sukuk Type	<i>Sukuk Structure</i>	USD Million or Equivalent	Tenor (Years)	Maturity Date
2018	Ministry of Treasury and Finance of Turkey	Turkey	TRY	Sovereign	<i>Sukuk Al Ijarah</i>	635	2.0	24-Dec-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	349	2.0	29-Nov-20
2018	Ministry of Treasury and Finance of Turkey	Turkey	TRY	Sovereign	<i>Sukuk Al Ijarah</i>	613	2.0	21-Nov-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	107	1.4	4-Mar-20
2018	Ministry of Treasury and Finance of Turkey	Turkey	TRY	Sovereign	<i>Sukuk Al Ijarah</i>	321	2.0	26-Sep-20

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2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	103	1.6	9-Mar-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	191	1.9	19-Mar-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	110	1.9	5-Mar-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	327	2.0	22-Mar-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	136	2.0	8-Mar-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	311	2.1	22-Mar-20
2018	Ministry of Treasury and Finance of Turkey	Turkey	TRY	Sovereign	Sukuk Al Ijarah	355	2.0	14-Feb-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	347	2.1	8-Mar-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	210	2.2	25-Mar-20
2018	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	309	2.2	11-Mar-20
2017	CAGAMAS BHD	Malaysia	MYR	Fls	Sukuk Al Wakalah	131	3.2	18-Oct-20
2017	CAGAMAS BHD	Malaysia	MYR	Fls	Sukuk Al Wakalah	119	3.0	18-Sep-20
2017	Central Bank of Bahrain	Bahrain	BHD	Sovereign	Sukuk Al Ijarah	331	3.0	17-Jul-20
2017	SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BHD	Malaysia	MYR	Fls	Sukuk Al Murabahah	100	3.1	9-Apr-20
2017	Government of malaysia	Malaysia	MYR	sovereign	Sukuk Al Mudharabah	875	3.3	24-Apr-20
2016	MAXIS BROADBAND SDN BHD	Malaysia	MYR	Corporate	Sukuk Al Murabahah	112	4.1	27-Nov-20
2016	GOVERNMENT OF MALAYSIA	Malaysia	MYR	Sovereign	Sukuk Al Murabahah	787	3.6	10-Feb-20
2015	Government OF Oman	Oman	OMR	Sovereign	Sukuk Al Ijarah	647	5.0	4-Nov-20
2015	Pengurusan Air SPV Berhad (PASB)	Malaysia	MYR	Quasi-Sovereign	Sukuk Al Murabahah	165	5.0	28-Sep-20
2015	SapuraKencana Petroleum	Malaysia	MYR	Corporate	Sukuk Al Mudharabah	200	5.0	9-Sep-20

Continued from previous page...

2015	Jimah Energy Ventures	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	2,006	5.0	31-Aug-20
2015	Najran cement	Saudi Arabia	SAR	Corporate	<i>Sukuk Al Murabahah</i>	107	5.0	15-Jul-20
2015	Central Bank of Bahrain (CBB)	Bahrain	BHD	Sovereign	<i>Sukuk Al Ijarah</i>	530	5.0	9-Jul-20
2015	Islamic Development Bank	Saudi Arabia	SAR	Quasi-Sovereign	<i>Sukuk Al Wakalah</i>	514	5.0	12-Jun-20
2015	TH Plantations Bhd (IMTN)	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	233	5.0	29-May-20
2015	Danga Capital Berhad	Malaysia	MYR	Sovereign	<i>Sukuk Al Musharakah</i>	471	5.0	9-Apr-20
2015	HSBC Amanah Malaysia Bhd	Malaysia	MYR	Corporate	<i>Sukuk Al Wakalah</i>	176	5.0	27-Mar-20
2015	Prasarana Malaysia Berhad (IMTN)	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	165	5.2	24-May-20
2015	Amlslamic Bank Berhad	Malaysia	MYR	Fls	<i>Sukuk Al Musharakah</i>	212	5.0	6-Mar-20
2015	Government Investment Issue	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	2,353	5.5	27-Aug-20
2015	Central Bank of Bahrain (CBB)	Bahrain	BHD	Sovereign	<i>Sukuk Al Ijarah</i>	660	5.0	19-Jan-20
2015	Ivory coast	ivory Coast	CFA	Sovereign	<i>Sukuk Al Ijarah</i>	215	5.0	12-Jan-20
2014	Pengurusan Air SPV Berhad (PASB)	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	118	6.0	5-Nov-20
2013	BGSM Management Sdn Bhd	Malaysia	MYR	Corporate	<i>Sukuk Al Musharakah</i>	113	7.0	27-Dec-20
2013	Saudi British bank	Saudi Arabia	SAR	Fls	<i>Sukuk Al Murabahah</i>	400	7.0	18-Dec-20
2013	Malakoff Power Sdn. Bhd.	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	125	7.0	17-Dec-20
2013	Syarikat Prasarana Negara Berhad ("Prasarana")	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Ijarah</i>	187	7.0	15-Nov-20
2013	Riyad Bank	Saudi Arabia	SAR	Fls	<i>Hybrid Sukuk</i>	1,070	7.0	7-Nov-20
2013	Cagamas Berhad	Malaysia	MYR	Corporate	<i>Hybrid Sukuk</i>	124	7.0	28-Oct-20
2013	Government of Malaysia	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	806	7.0	19-Aug-20

Continued from previous page...

2013	Pengurusan Air SPV Berhad	Malaysia	MYR	Quasi-Sovereign	Hybrid Sukuk	109	7.0	1-Jul-20
2013	Pelabuhan Tanjung Pelepas Sdn. Bhd (PTP)	Malaysia	MYR	Quasi-Sovereign	Sukuk Al Musharakah	129	7.3	7-Sep-20
2013	First Resources Ltd	Malaysia	MYR	Corporate	Sukuk Al Musharakah	194	7.0	6-Jun-20
2013	Savola Group	Saudi Arabia	SAR	Corporate	Hybrid Sukuk	400	7.0	22-Jan-20
2012	Government of Malaysia	Malaysia	MYR	Sovereign	Bai' Bithaman Ajil	1,119	7.5	12-May-20
2012	Celcom Transmission	Malaysia	MYR	Corporate	Sukuk Al Murabahah	384	8.0	29-Aug-20
2012	Tanjung Bin Power	Malaysia	MYR	Corporate	Sukuk Al Ijarah	160	8.0	16-Aug-20
2012	Government of Indonesia)	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	104	8.0	28-Jun-20
2012	Government of Indonesia	Indonesia	IDR	Sovereign	Sukuk Al Ijarah	156	8.0	27-Apr-20
2012	PLUS Berhad	Malaysia	MYR	Quasi-Sovereign	Sukuk Al Musharakah	159	8.0	12-Jan-20
2011	Manjung Island Energy Berhad	Malaysia	MYR	Corporate	Sukuk Al Ijarah	164	9.0	25-Nov-20
2010	Celcom Transmission Bhd	Malaysia	MYR	Corporate	Sukuk Al Ijarah	572	10.0	1-Sep-20
2007	Jimah Energy Ventures	Malaysia	MYR	Corporate	Sukuk Al Istisna'a	229	13.3	11-Sep-20
2007	Nucleus Avenue Malaysia Bhd	Malaysia	MYR	Corporate	Sukuk Al Musharakah	205	13.3	24-Aug-20
2006	Projek Lebuhraya Utara-Selatan Berhad (PLUS)	Malaysia	MYR	Corporate	Sukuk Al Musharakah	178	14.0	9-Oct-20
2006	Mukah Power Generation Sdn Bhd's (MPG)	Malaysia	MYR	Corporate	Sukuk Al Mudharabah	175	13.3	3-Feb-20
Total Maturity Value						23,313		

Table 10 C: Domestic *Sukuk* Maturing 2021,> USD 100 Million

Issue Year	Issuer	Issuer Country	Currency	Sukuk Type	<i>Sukuk</i> Structure	USD Million or Equivalent	Tenor (Years)	Maturity Date
2019	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Wakalah</i>	104	2	28-Nov-21
2019	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Wakalah</i>	139	2	28-Aug-21
2019	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Wakalah</i>	187	2	28-May-21
2019	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Wakalah</i>	222	2	27-Feb-21
2019	Ministry of Treasury and Finance of Turkey	Turkey	TRY	Sovereign	<i>Sukuk Al Ijarah</i>	1,292	2	1-Jan-21
2018	Central Bank of Qatar	Qatar	QAR	Sovereign	<i>Sukuk Al Wakalah</i>	189	3	11-Nov-21
2018	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	153	3	1-May-21
2018	CAGAMAS BHD	Malaysia	MYR	Corporate	<i>Hybrid Sukuk</i>	182	3	10-Sep-21
2018	Central Bank of Qatar	Qatar	QAR	Sovereign	<i>Sukuk Al Wakalah</i>	270	3	3-Sep-21
2018	Danainfra Nasional Bhd	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	170	3	20-Aug-21
2018	Public Islamic Bank Bhd	Malaysia	MYR	Fls	<i>Sukuk Al Murabahah</i>	127	3	27-Jul-21
2018	Cagamas Bhd	Malaysia	MYR	Corporate	<i>Hybrid Sukuk</i>	122	3	12-May-21
2018	Cagamas Bhd	Malaysia	MYR	Corporate	<i>Hybrid Sukuk</i>	243	3	29-Mar-21
2018	Cagamas Bhd	Malaysia	MYR	Corporate	<i>Hybrid Sukuk</i>	128	3	23-Mar-21
2018	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	596	3	21-Mar-21
2018	Central bank of Bahrain	Bahrain	BHD	Sovereign	<i>Sukuk Al Ijarah</i>	266	3	8-Jan-21
2017	Prasarana Malaysia Bhd	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	175	4	28-Dec-21
2016	Ziya Capital Berhad	Malaysia	MYR	Corporate	<i>Sukuk Al Wakalah</i>	142	5	8-Dec-21
2016	Bank Muamalat Malaysia Berhad	Malaysia	MYR	Fls	<i>Sukuk Al Wakalah</i>	112	5	25-Dec-21

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2016	Government of Turkey	Turkey	TRY	Sovereign	Sukuk Al Ijarah	383	5	22-Nov-21
2016	Pakistan Corporate	Pakistan	PKR	Corporate	Sukuk Al Mudharabah	1,064	5	22-Sep-21
2016	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	MYR	Quasi-Sovereign	Sukuk Al Murabahah	135	5	21-Oct-21
2016	Qatar Government Sukuk	Qatar	QAR	Sovereign	Sukuk Al Wakalah	137	5	16-Aug-21
2016	Ivory Coast Sukuk	ivory Coast	CFA	Sovereign	Sukuk Al Ijarah	245	5	6-Aug-21
2016	Government Of Malaysia	Malaysia	MYR	Sovereign	Sukuk Al Murabahah	787	5	22-Sep-21
2016	Government of Turkey	Turkey	TRY	Sovereign	Sukuk Al Ijarah	305	5	19-Jul-21
2016	Central Bank of Jordan	Jordan	JOD	Sovereign	Sukuk Al Murabahah	105	5	22-May-21
2016	Gulf Investment Corporation G.S.C.	Malaysia	MYR	Corporate	Sukuk Al Wakalah	101	5	16-Apr-21
2016	Government Of Malaysia	Malaysia	MYR	Sovereign	Sukuk Al Murabahah	787	6	26-Sep-21
2016	Rawabi vallianz offshore Services Limited	Saudi Arabia	SAR	Corporate	Sukuk Al Ijarah	267	5	19-Feb-21
2014	Bandar Malaysia Sdn Bhd	Malaysia	MYR	Corporate	Sukuk Al Murabahah	106	7	29-Dec-21
2014	DanaInfra Nasional Berhad	Malaysia	MYR	Sovereign	Sukuk Al Murabahah	165	7	27-Nov-21
2014	Bank Pembangunan Malaysia Berhad (16562-K) - BPMB	Malaysia	MYR	Sovereign	Sukuk Al Murabahah	165	7	12-Sep-21
2014	Perbadanan Tabung Pendidikan Tinggi Nasional	Malaysia	MYR	Quasi-Sovereign	Sukuk Al Murabahah	118	7	27-Aug-21
2014	Midciti Sukuk Berhad	Malaysia	MYR	Corporate	Sukuk Al Murabahah	122	7	25-Apr-21
2014	DanaInfra Nasional Berhad	Malaysia	MYR	Sovereign	Sukuk Al Murabahah	154	7	21-Apr-21
2014	Government of Malaysia	Malaysia	MYR	Sovereign	Sukuk Al Murabahah	793	7	7-Apr-21
2014	Khazanah Nasional Bhd	Malaysia	MYR	Quasi-Sovereign	Sukuk Al Musharakah	394	7	24-Feb-21
2014	Bandar Malaysia Sdn Bhd	Malaysia	MYR	Corporate	Sukuk Al Murabahah	151	7	20-Feb-21
2013	Malakoff Power Sdn. Bhd.	Malaysia	MYR	Corporate	Sukuk Al Murabahah	152	8	17-Dec-21

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2013	Government of Malaysia	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	947	8	23-Mar-21
2013	Government of Malaysia	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	1,105	8	23-Mar-21
2013	Khazanah Nasional Bhd	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Musharakah</i>	321	8	8-Mar-21
2012	Celcom Transmission	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	128	9	29-Aug-21
2012	Tanjung Bin Power	Malaysia	MYR	Corporate	<i>Sukuk Al Ijarah</i>	102	9	16-Aug-21
2012	DRB-HICOM Bhd	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	132	9	22-Feb-21
2012	PLUS Berhad	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Musharakah</i>	159	9	12-Jan-21
2011	Manjung Island Energy Berhad	Malaysia	MYR	Corporate	<i>Sukuk Al Ijarah</i>	164	10	25-Nov-21
2011	Pengurusan Aset Air Berhad	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	137	10	11-Nov-21
2011	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	313	10	17-Oct-21
2011	AmlIslamic Bank Berhad	Malaysia	MYR	Fls	<i>Sukuk Al Musharakah</i>	192	10	30-Sep-21
2011	Syarikat Prasarana Negara Berhad	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Ijarah</i>	269	10	4-Aug-21
2011	Government of Malaysia (GII)	Malaysia	MYR	Sovereign	<i>Bai' Bithaman Ajil</i>	1,344	10	28-Jul-21
2011	Sarawak Energy	Malaysia	MYR	Corporate	<i>Sukuk Al Musharakah</i>	330	10	23-Jun-21
2011	Bank Muamalat Malaysia Berhad	Malaysia	MYR	Fls	<i>Sukuk Al Musharakah</i>	132	10	15-Jun-21
2011	Pengurusan Aset Air Berhad	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	169	10	29-Apr-21
2011	Government of Malaysia (GII)	Malaysia	MYR	Sovereign	<i>Bai' Bithaman Ajil</i>	1,180	10	28-Apr-21
2011	Government of Indonesia	Indonesia	IDR	Sovereign	<i>Sukuk Al Ijarah</i>	209	10	11-Apr-21
2011	Maybank Islamic	Malaysia	MYR	Fls	<i>Sukuk Al Musharakah</i>	330	10	31-Mar-21
2011	Bank Al Jazira	Saudi Arabia	SAR	Fls	Hybrid Sukuk	267	10	29-Mar-21

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2011	Government of Malaysia	Malaysia	MYR	Sovereign	<i>Sukuk Al Murabahah</i>	492	10	23-Feb-21
2011	Pengurusan Aset Air Berhad	Malaysia	MYR	Quasi-Sovereign	<i>Sukuk Al Murabahah</i>	164	10	8-Feb-21
2008	Lingkar Trans Kota Holdings Berhad - LITRAK	Malaysia	MYR	Corporate	<i>Sukuk Al Musharakah</i>	363	13	14-Aug-21
2008	Telekom Malaysia	Malaysia	MYR	Corporate	<i>Sukuk Al Ijarah</i>	152	13	2-Jan-21
2006	Projek Lebuhraya Utara-Selatan Berhad (PLUS)	Malaysia	MYR	Corporate	<i>Sukuk Al Musharakah</i>	184	15	8-Oct-21
2006	Putrajaya Holdings Sdn Bhd	Malaysia	MYR	Corporate	<i>Sukuk Al Murabahah</i>	193	15	1-Jan-21
Total Maturity Value						20,932		

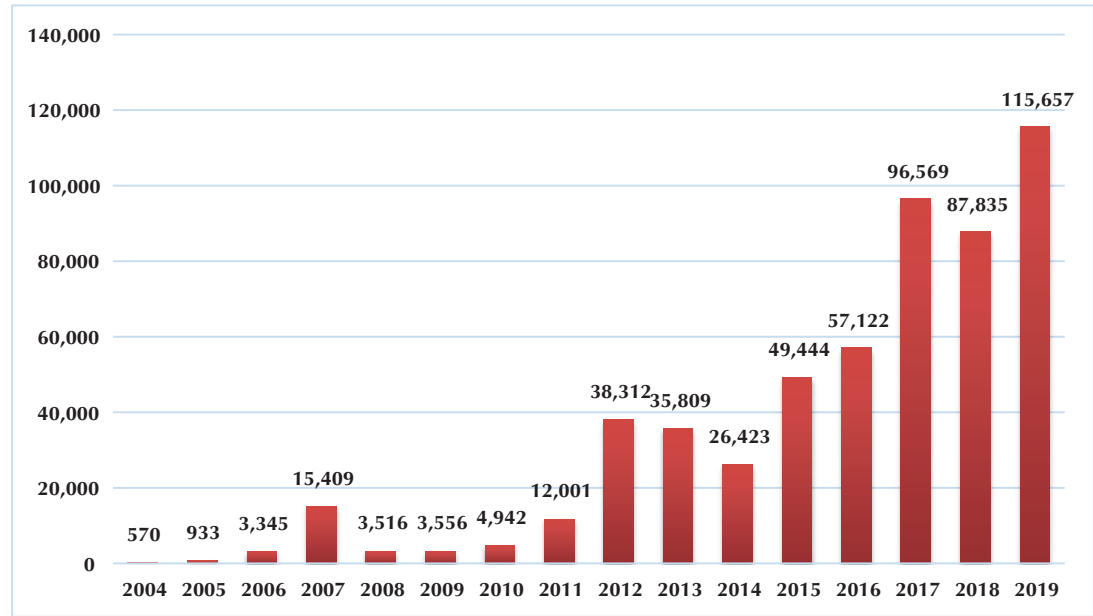
Source: IIFM Sukuk database

1.12 SUKUK OUTSTANDING

On the back of record number of global Sukuk issuances during 2012 to 2019 where 2019 is the record year so far in terms in Sukuk issuances, the outstanding Sukuk issuances in 2019 reached USD 551.44 billion as comapre to USD 490.78 billion in 2018 which is a clear indication of growing interest in Sukuk though supply and demand gap remains to be bridged particulary for International Sukuk but signing are encouraging. An other interesting fact is that the share of longer tenor Sukuk is increasing particularly starting year 2015 where there is an imporvement in domestic short term Sukuk issuances from various jurisdcitions.

Following Chart 6A provide a clear picture on outstanding Global Sukuk cover both international and domestic Sukuk:

Chart 6A: TOTAL GLOBAL SUKUK OUTSTANDING AS OF 31ST DECEMBER 2019

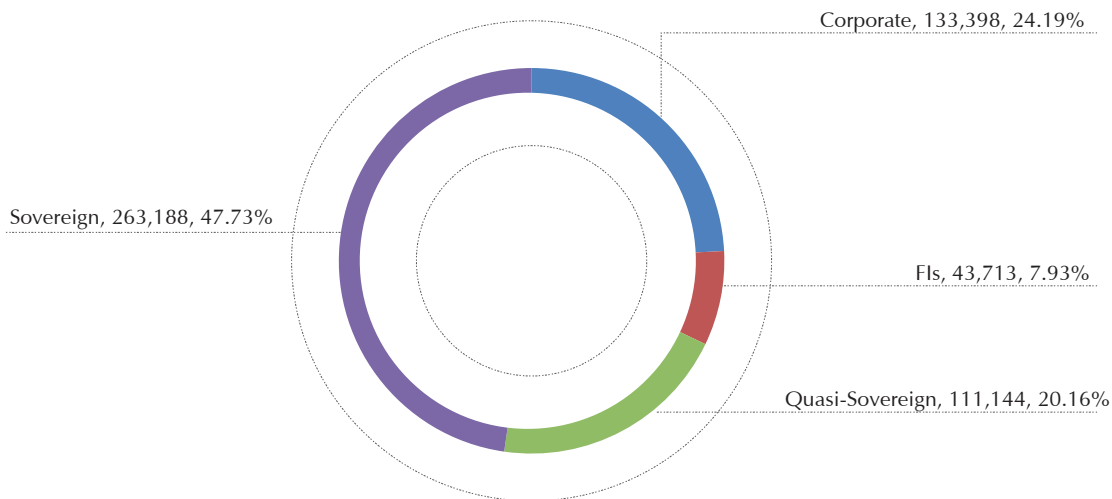


➤ Total Global Sukuk outstanding USD 551.44 Billion

Source: IIFM Sukuk database

The breakdown for sovereign, quasi sovereign, corporate and FIs works out to be 47.73%, 20.16%, 24.19% and 7.93% respectively.

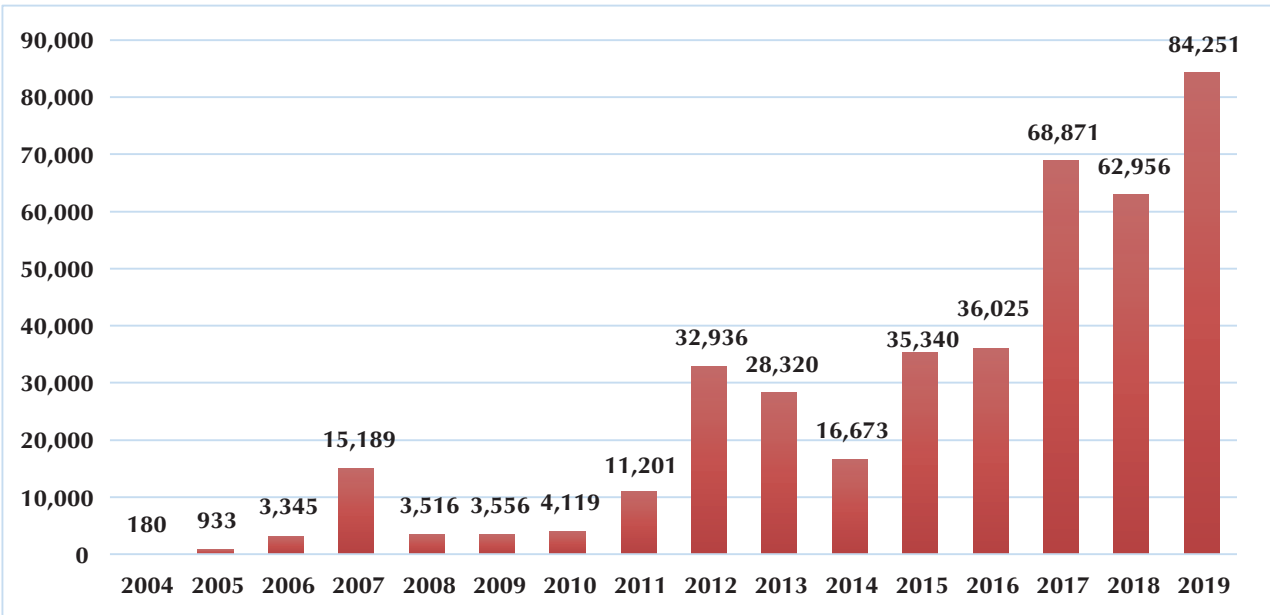
Chart 6B: TOTAL GLOBAL SUKUK OUTSTANDING BY ISSUER STATUS AS OF 31ST DEC 2019



Source: IIFM Sukuk database

It is interesting to note that the domestic issuances particularly one year or less tenor that matured in 2019 were either refinanced or new issuance took place which resulted in increase in short term Sukuk issuance as compared to 2018.

Chart 6C: TOTAL DOMESTIC SUKUK OUTSTANDING AS OF 31ST DECEMBER 2019

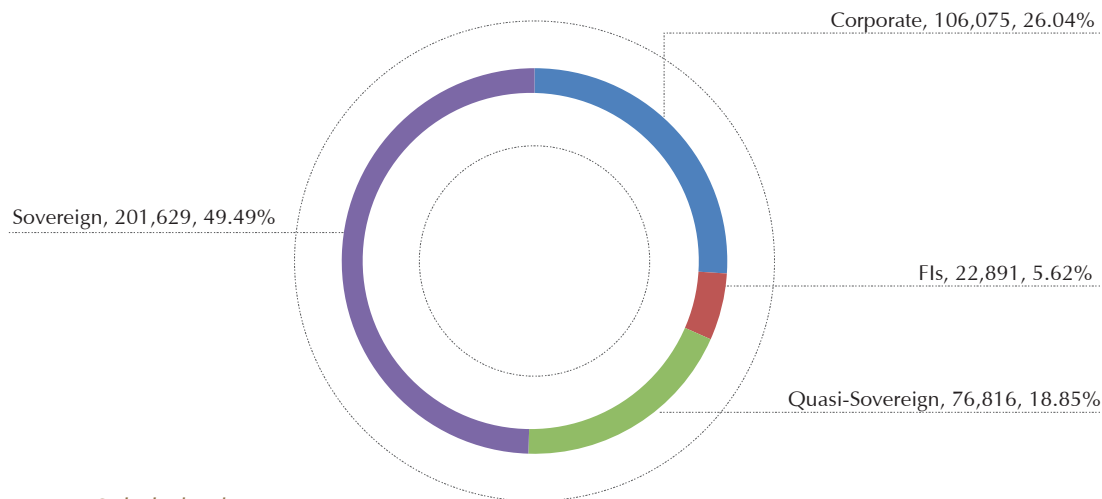


► Total Global Sukuk outstanding USD 407.41 Billion

Source: IIFM Sukuk database

The outstanding split of domestic Sukuk between sovereign, quasi sovereign, corporate and FIs works out to be 49.49%, 18.85%, 26.04%, & 5.62% respectively.

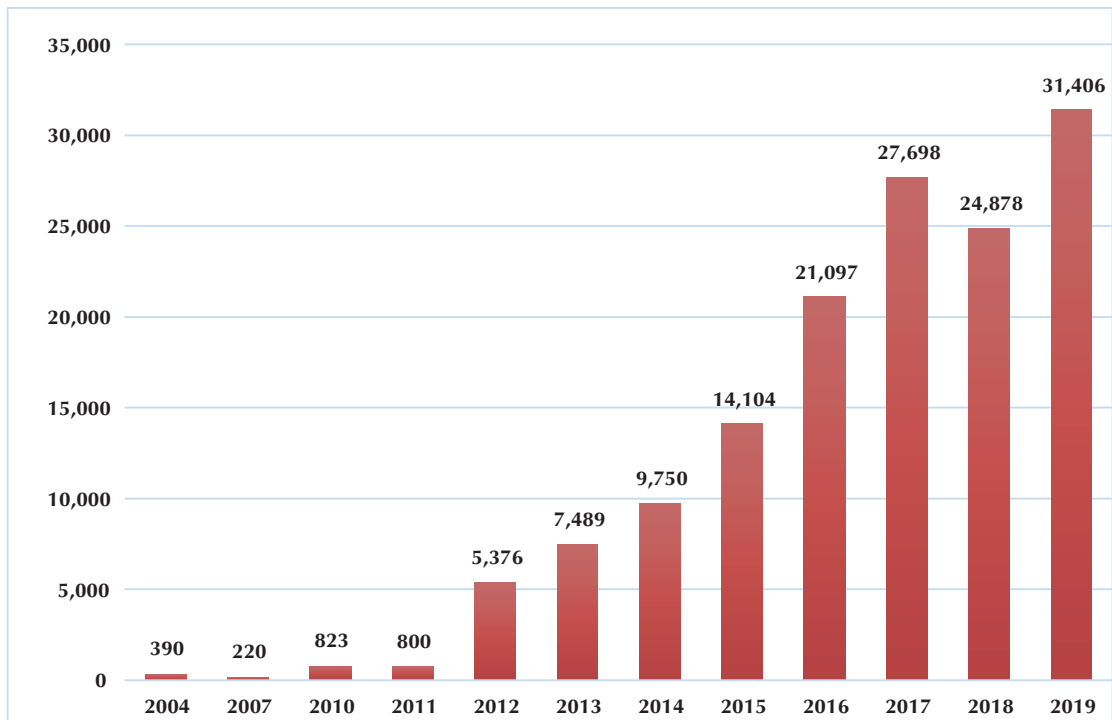
Chart 6D: TOTAL DOMESTIC SUKUK OUTSTANDING BY ISSUER STATUS AS OF 31 DEC 2019



Source: IIFM Sukuk database

The international outstanding Sukuk pattern as depicted in Chart 6E where the outstanding Sukuk have been steadily increasing since 2016 and in 2019 there is a increase of USD 6.52 billion in 2019 as compare to 2018

Chart 6E: TOTAL INTERNATIONAL SUKUK OUTSTANDING AS OF 31ST DECEMBER 2019

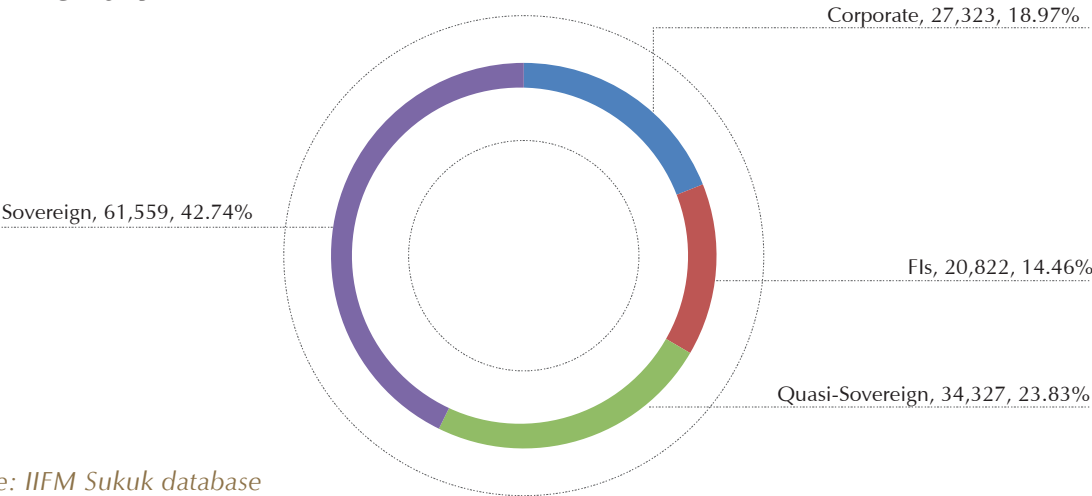


► Total Global Sukuk outstanding USD 144.03 Billion

Source: IIFM Sukuk database

In case of international Sukuk outstanding, the split between all sovereigns and corporate, FIs works out to be in the range of 60 to 40.

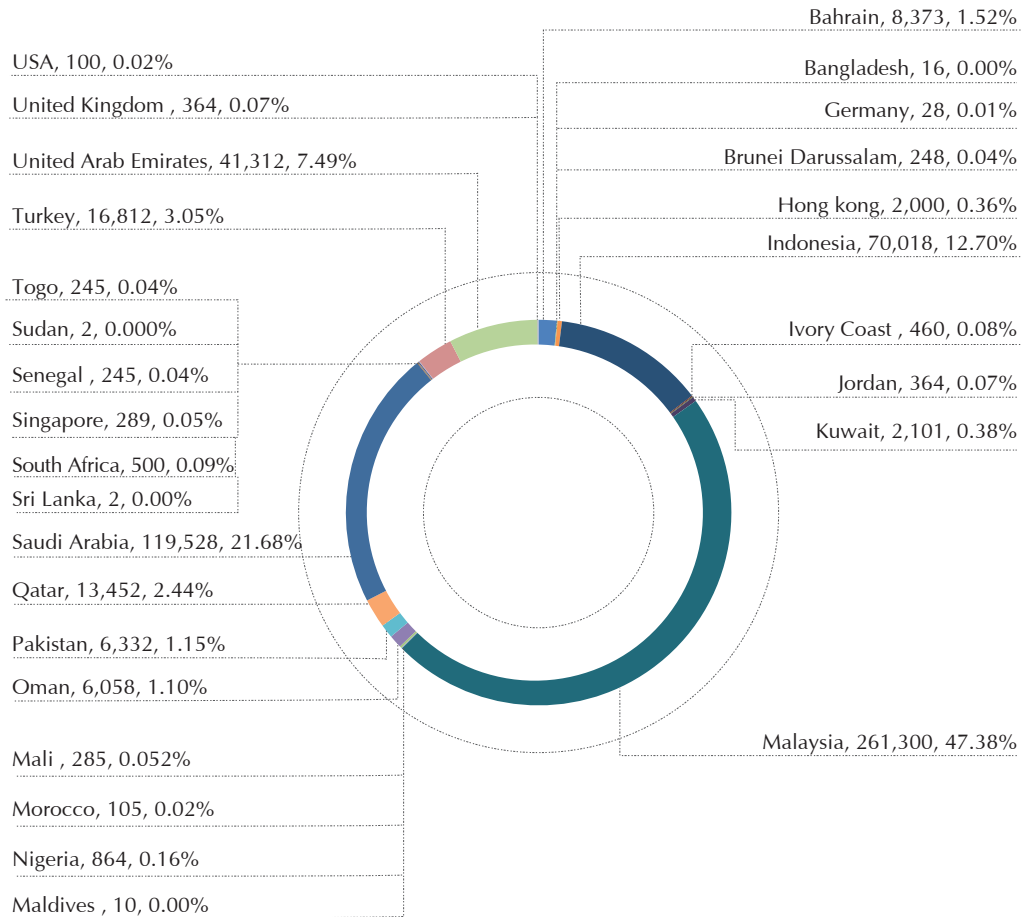
Chart 6F: TOTAL INTERNATIONAL SUKUK OUTSTANDING BY ISSUER STATUS AS OF 31ST DEC 2019



Source: IIFM Sukuk database

From the total volume of global Sukuk outstanding from a country perspective, 92.25% is represented by just 5 countries i.e. Malaysia 47.38%, Saudi Arabia 21.68%, Indonesia 12.70%, UAE 7.49% and Turkey 3.05%. Right behind them are Qatar 2.44%, Bahrain 1.52% and Pakistan 1.15%.

Chart 6G: COUNTRY WISE BREAKDOWN OF SUKUK OUTSTANDING AS OF 31 DEC 2019



Source: IIFM Sukuk database



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CHAPTER 2



SHARI'AH

RULINGS & REGULATIONS



In the Name of Allah, the Entirely Merciful, the Especially Merciful

All perfect praise is due to Allah, Lord of the worlds. May peace and blessings be upon Prophet Muhammad, the seal of the Prophets and upon all of his family and companions.

Issuance, Trading and Redemption of Investment Sukuk

Dr. Ahmed Rufai
Head of Shari'ah Compliance - IIFM

This write-up aims to explain the Shari'ah regulations, guidelines and the conditions for the issuance of Investment Sukuk and dealings in them for trading by institutions in light of AAOIFI Shari'ah Standard No. (17) Investment Sukuk

1. Definitions

Securitisation (Tawriq)

Securitisation (i.e. Taskik and Tasnid in Arabic), is a process of dividing ownership of tangible assets, usufructs or both into units of equal value and issue securities as per their value.

Investment Sukuk

Investment Sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity, however, this is true after receipt of the value of the Sukuk, the closing of subscription and the employment of funds received for the purpose for which the Sukuk were issued.

In this definition, Sukuk are defined and designated as investment Sukuk to distinguish them from shares and loan bonds.

Issue Contract

Issue contract is the contract that form basis for issuance of the investment certificates.

Issuer of Investment Certificate

Issuer of investment certificate is the party who uses the realised funds in a Shari'ah-compliant investment instrument. The issuer could be a firm, an individual, a government or a financial institution. The issuer may delegate, for a consideration or commission, the process of arranging the operation of the issue to a financial intermediary, which may be stipulated by the issue prospectus.

Issue Agent

It is an intermediary institution that manages the process of issue and performs all procedural arrangements pertaining to the issue on behalf of the issuer against a specific fee to be agreed upon or to be stated in the prospectus of issue. The relationship between the issuer and the issue agent is governed under a agency contract with remuneration.

Issue Manager

Issue manager is the intermediary institution that acts for remuneration on behalf of the subscribers in executing the issue contract.

Payment Underwriter

Payment underwriter is the intermediary institution that undertakes to pay dues of certificate holders after when realised.

Investment Manager

Investment manager is the party appointed by the issuer or the issue manager to perform all or part of investment operations as indicated in the issue prospectus.

Investment Trustee

Investment trustee is the intermediary financial institution charged with protecting the interests of certificate holders, supervising the performance of the issue manager and safe custody of documents and guarantees for consideration stipulated in the issue prospectus on the basis of agency contract.

Trading of Certificates

Trading of certificates refers to disposal of the ownership right contained in the certificate through selling, pledging, gift or any other permissible means of disposal.

2. Shari'ah Rulings, Regulations and Requirements

2.1 Issuance of Investment Sukuk (Certificates):

- It is permissible to issue investment certificates by way of subscription on the basis of any of Shari'ah nominated investment contract.
- It is permissible to issue certificates for (to securitize) assets that are tangible assets, usufructs and services by dividing them into equal shares and issuing certificates for their value. As for debts owed as a liability, it is not permissible to securitize them for the purpose of trading.
- The issue contract has all the legal effects of the contract upon which the issued certificates are based. This occurs after closing of the subscription and the allotment of the certificates.
- The two parties of the issue contract are the issuer and the subscribers.
- The relationship between the two parties to the issue contract is determined on the basis of the type of contract and its status in the Islamic Law (i.e. Shari'ah).

2.2 Trading in Investment Sukuk and Redemption:

2.2.1 Things Permissible

- It is permissible, after closing subscription, allotment of Sukuk and commencement of activity, to trade in and redeem investment Sukuk that represent common ownership of tangible assets, usufructs or services. As for trading or redemption prior to the commencement of activity, it is necessary to observe the rules of the contract of Sarf (currency exchange) along with the rules for debts (receivables) when liquidation is complete and the assets are receivables or when the assets represented by the Sukuk are sold for a deferred price.
- In the case of negotiable Sukuk, it is permissible for the issuer to undertake, through the prospectus of issue, to purchase at market value, after the completion of the process of issue, any certificate that may be offered to him, however, it is not permissible for the issuer to undertake to purchase the Sukuk at their nominal value.

- The certificates may be traded through any known means, that do not contravene the rules and principles of the Shari'ah, such as registration, electronic means or actual transmission by the bearer to the purchaser.
- It is permissible, immediately upon issue and up to the date of maturity, but after the passing of ownership of the assets to the holders of the Sukuk, to trade in Sukuk that represent ownership of existing leased assets or assets to be leased on promise.
- It is permissible for the issuer to redeem, prior to maturity, certificates of ownership of leased assets at the market price or at a rate agreed upon, at the date of redemption, between the certificate holder and the issuer.
- It is permissible to trade in securities of ownership of usufructs of tangible assets prior to a contract for sub-leasing the assets. When the assets are sub-leased, the certificate represents rent receivables, which makes it a debt owed by the second lessor subject to the rules and regulations for disposal of debts.
- It is permissible for the issuer to redeem Sukuk of ownership of the usufruct of tangible assets from the holder, after allotment and payment of the subscription price, at the market price or at a price agreed upon between the parties at the time of redemption, on the condition that the subscription amount or redemption price is not deferred.
- It is permissible to trade in securities of ownership of services to be provided by a specified party prior to sub-leasing such services. When the services are sub-leased, the certificate represents rent receivables to be collected from the second lessee. In this case, the certificate represents a debt and is, therefore, subject to the rules and regulations of disposal of debts.
- It is permissible to set up a parallel Ijarah on tangible assets by employing the same description for the usufruct that was provided to the holders of the Sukuk provided the two lease contracts remain independent.
- It is permissible for the second buyer of the usufruct of existing and specified assets to resell them. The buyer is also entitled to issue certificates in this respect.
- It is permissible to trade in or redeem Istisna'a certificates if the funds have been converted, within the period of the Istisna'a, into assets owned by certificate holders. If the realised funds are immediately paid as a price in a parallel Istisna'a contract or the manufactured item is submitted to the ultimate purchaser, then trading in Istisna'a certificates is subject to rules of disposal of debts.
- It is permissible to trade in Mudarabah, Musharakah and investment agency certificates after closing of subscription, allotment of the certificates and commencement of activity with respect to the assets and usufructs.
- It is permissible to trade in Muzara'ah and Musaqat certificates after closing of subscription, allotment of certificates and commencement of activity with respect to the assets and usufructs. This rule applies when the certificate holders own the land. Thus, trading in these certificates is not allowed where the certificate holders act as workers (who undertake to provide agricultural or irrigation works) in which case trading in these certificates is not permissible before the maturity of the fruits and plants.
- It is permissible to trade in Mugharasah certificates after closing of subscription, allotment of certificates and commencement of activity irrespective of the certificate holders being owners of the land or workers.

2.2.2 Things not Permissible

- It is not permissible to trade in certificates of ownership of usufructs of a described asset before the asset from which usufruct is to be made available is ascertained, except by observing the rules for disposal of receivables. When the asset is ascertained, trading in Sukuk of usufructs of such asset may take place.
- It is not permissible to trade in securities of ownership of services to be provided by a party to be specified in the future before the source from which the services would be provided is identified, except by observing the rules for dealing in debts. When the source of services is identified, trading in such Sukuk may take place.
- It is not permissible to trade in Salam certificates. Also, it is not permissible to trade in Murabahah certificates after delivery of the Murabahah commodity to the buyer. However, trading of Murabahah certificates is permissible after purchasing the Murabahah commodity and before selling it to the buyer.

3- Shari'ah Basis for Issuing and Trading in Sukuk

- Sukuk (certificates) are usually issued on the basis of Shari'ah nominated contracts. Therefore, issuance of Sukuk on the basis of any of these contracts becomes acceptable as well.
- The basis for permissibility of trading in investment Sukuk when such Sukuk represent shares in tangible assets or usufruct is that the trading is, in fact, on the assets and usufructs. Since these assets may be traded so too the certificates that represent them.
- The basis for permissibility of trading in Istisna'a certificates after conversion of the realized funds into assets is that such assets represent properties that can be disposed of.
- The basis for the impermissibility of trading in Istisna'a certificates in case of using the realized funds as a price in a parallel Istisna'a and in case of delivering the manufactured asset to the ultimate purchaser is that the certificate represents the price in the liability of the purchaser. The price then is a monetary debt for which trading of the Sukuk at this stage is subject to the rules of debt trading.
- The basis for impermissibility of trading in Salam certificates is that the certificate represents a share in the Salam debt in which case the certificates is subject to rules of debt trading.
- The basis for the impermissibility of trading in Murabahah certificates after the commodity is sold and delivered to the buyer is that the certificates represent a monetary debt against the buyer, in which case trading is not permissible except in accordance with the limitations of debt trading. However, if purchase of the commodity has taken place and is yet to be sold, trading in these certificates is permissible because the certificates represent assets that can be traded.

To sum up:

- The main objective of Shari'ah Standard No. (17) Investment Sukuk is to ensure the Shari'ah compliant in Sukuk issuance, trading and redemption. It is a mandatory for the Sukuk industry in many jurisdictions (certainly not all) to meet the requirement of this Shari'ah Standard No. (17) to ensure the tradability and marketability of the issued Sukuk, particularly, if it is meant for global market.

- Full ownership of Sukuk holder, Sukuk not representing debt or receivable unless it is a mixed portfolio, permissibility of establishment of the reserve account for the benefit of the Sukuk holders, prohibition of undertaking to repurchase the assets with its nominal value, guarantee of the capital at its nominal value by the manager in case of negligence, permissibility to undertake to purchase the leased asset for its nominal value, involvement of Shari'ah supervisory boards in the documentation and implementation of Sukuk, permissibility to undertake to purchase the asset in Ijarah Muntahia Bittamlik at the maturity of Sukuk and other important things regarding the issuance and trading of Sukuk, are the summary of the main focus of the AAOIFI Shari'ah Standard No. (17) Investment Sukuk.



CHAPTER 3



SELECTED SUKUK INSURANCES (CASE STUDIES CONTRIBUTION)

3.1 The Government of Sharjah USD 1 billion 3.854% Sukuk

By: ABC Islamic Bank

The Government of Sharjah (GoS), the third-largest constituent of the United Arab Emirates, on 26th March 2019, acting through Sharjah Finance Department (SFD) successfully priced a 7-year USD 1 billion Reg S only Sukuk off its Trust Certificate Issuance Programme.

The joint lead managers for the listing are Bank ABC, Dubai Islamic Bank, HSBC Bank, KFH Capital Investment Company, Sharjah Islamic Bank and Standard Chartered Bank. The legal advisers to the Emirate of Sharjah were Clifford Chance and Maples and Calder (Dubai).

Issuer	Sharjah Sukuk Programme Limited
Obligor	The Government of Sharjah, acting through Sharjah Finance Department
Obligor Rating	A3 (Stable) / BBB+ (Stable) (Moody's/S&P)
Issue Rating	A3/BBB+ (Moody's/S&P)
Sukuk Structure	Ijarah / Commodity Murabahah (Hybrid or Combinantion Sukuk)
Size	USD 1 billion
Issue Type	Reg S
Currency	U.S. dollars
Tenor	7-year
Issue Price	100.00%
Profit Rate	3.854%
Spread to Benchmark	155 bps over 7Y US Mid-Swap
Listing	Irish Stock Exchange & Nasdaq Dubai
Governing Law	English, Sharjah & UAE Law

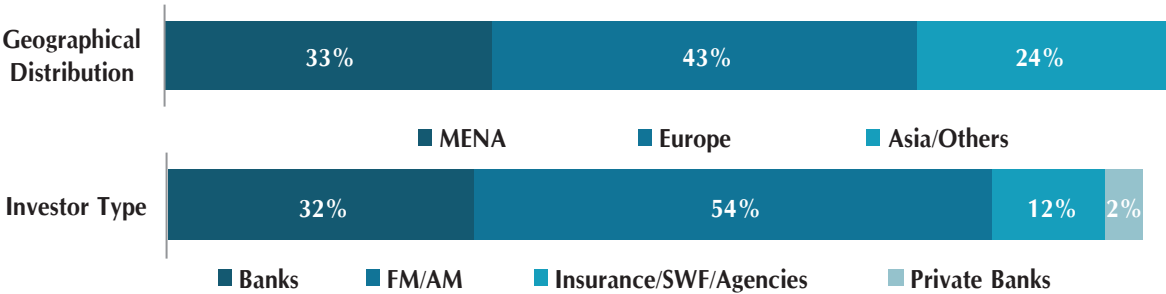
Highlights:

- » The issuance also included a switch and tender offer on the existing USD 500 million 3.839% 2021 Sukuk. Of the USD 1 Billion issuance, USD 835 Million is the new money raised while USD 165 Million was the switch from the 21s to the new issuance. The transaction marked the First public Liability Management exercise by a regional sovereign
- » The issuance came off the back of a quick roadshow in Dubai and London, commencing on the 24th of March 2019. The transaction was announced on March 26th followed by an intra-day execution

- » Orderbooks opened at 5:00 AM (9.00 AM Dubai) London time with initial price thoughts of MS+180bps area. Following a rapid book build process, during which the orderbook peaked at USD 4.4 Billion, price guidance was tightened to MS+165bps area.
- » The Sukuk was launched at 11:30 AM London time with a re-offer spread of MS+155bps and a size of USD 1 billion with an orderbook oversubscribed by 5.3x.
- » This is also the first time Government of Sharjah has tapped the 7-year tenor there by demonstrating the Sovereign's ability to tap various tenors and deepen the credit curve.

Geographical and Investor Distribution:

Demand from investors outside the GCC region represented 67% of the orderbook, one of the highest percentages seen in Reg S only issuances from the MENA region, supported by the entry of UAE sovereigns in the JPMorgan EMBI index:



Deal Structure & Mechanism:

Government of Sharjah issued Sukuk Certificates acting through Sharjah Sukuk Programme Limited (Trustee), and utilized the Sukuk proceeds acting on behalf of the Investors (Certificate holders) to enter into:

- a) A Master Purchase Agreement where Certificate holders (as Purchaser) with GoS (Seller), pursuant to which the Trustee purchased certain assets (Lease Assets) from the Seller for a purchase price equal to at least 55% of the Sukuk proceeds (Purchase Price).
- b) A Master Murabahah Agreement applying the remaining (not more than 45%) of the Sukuk proceeds to enter into Commodity Murabahah Investment transaction on behalf of the Sukuk-holders, whereby the Trustee sold Shari'ah compliant commodities to GoS for a deferred sale price to be paid on the scheduled dissolution date of the Sukuk or following the occurrence of a dissolution event

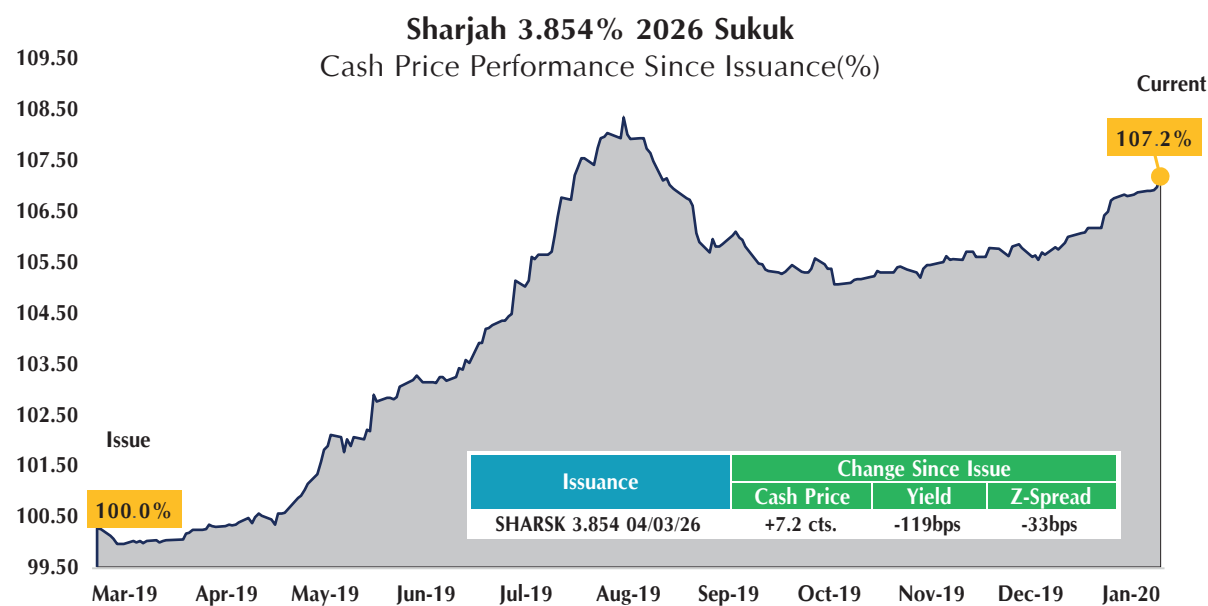
- » The Trustee (as Lessor) and GoS (as Lessee) entered into a Master Lease Agreement in which the Lessor on behalf of the Certificate Holders leased the assets to the Lessee for a period equivalent to the Sukuk tenor.
- »

The Trustee appointed GoS as a Service Agent pursuant to the Service Agency Agreement, to perform the following services:

- a) Perform maintenance and repairs, pay all taxes, and procure insurances on behalf of the Lessor in relation to the Lease Assets;
- (b) Record rental payments
- (c) Ensure compliance with the ratio of the value of the Lease Assets to the aggregate value of the Lease Assets and the outstanding Deferred Sale Price (the Tangible Asset Ratio) shall at all times remain 51% or more.

- » Pursuant to the Lease Agreement, the rental payments will be used to pay the coupon to the Certificate Holders on each periodic distribution date.
- » The Service Agent ensured that all of the Leased assets are insured.
- » GoS then provided Purchase Undertaking in favour of the Trustee (the Purchase Undertaking), whereby GoS shall undertake to purchase the Lease Assets, at maturity of the Sukuk or at a dissolution date.

Trading Opportunities in the Secondary Market



3.2 Dubai Islamic Bank PJSC

USD 750,000,000 Fixed Reset Perpetual NC6 Additional Tier 1 Sukuk

By: Dubai Islamic Bank

Dubai Islamic Bank	Issuer	DIB Tier 1 Sukuk (3) Ltd.
USD 750,000,000	Obligor	Dubai Islamic Bank PJSC
6.250% Additional Tier 1 Capital Certificates	Issuer Rating	A3 by Moody's / A by Fitch both with a stable outlook
Joint Lead Manager & Bookrunner	Status	Unrated AT1 NC6
Jan 2019	Format	Regulation S
	Pricing Date	16-Jan-19
	Settlement Date	22-Jan-19
	Issue Size	USD 750,000,000
	Maturity Date	PerpNC6
	Issue Price	100
	Profit Rate	6.250% p.a.
	Spread vs. MS	6yr UST + 366.4bps
	Listing	Euronext Dublin and Nasdaq Dubai
	Governing Law	English Law
	JLM Role	Joint Lead Manager & Bookrunner

DIB's Role

- DIB acted as the Joint Lead Manager & Bookrunner in Dubai Islamic Bank's AT1 NC6 Sukuk issuance
- DIB played a pivotal role in the distribution of the instrument to Islamic accounts as well as international investors in Europe and Asia.

Notable Features

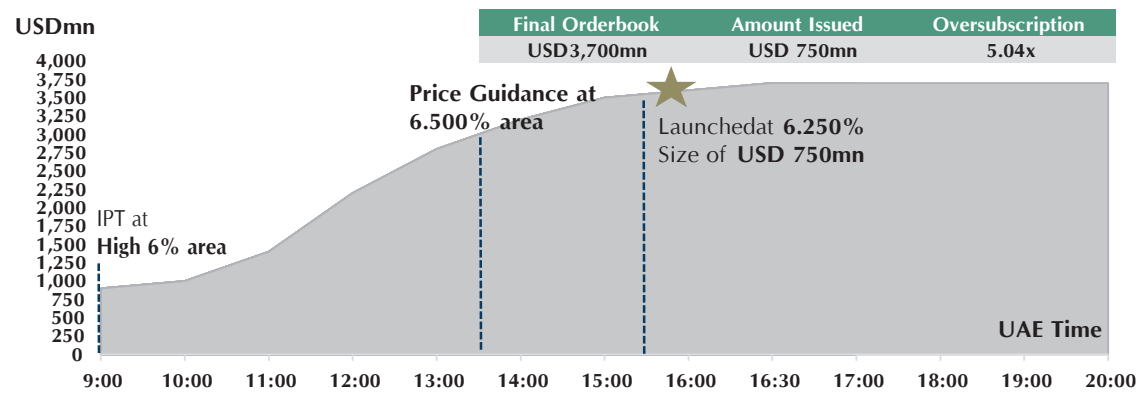
- ✓ Dubai Islamic Bank ("DIB") was the first issuer to announce a deal in the international Sukuk market in 2019.
- ✓ DIB achieved its dual objectives in terms of issuance size and pricing.
- ✓ Granular and diversified orderbook with solid demand coming outside of Middle Eastern / Islamic accounts.

Transaction Summary

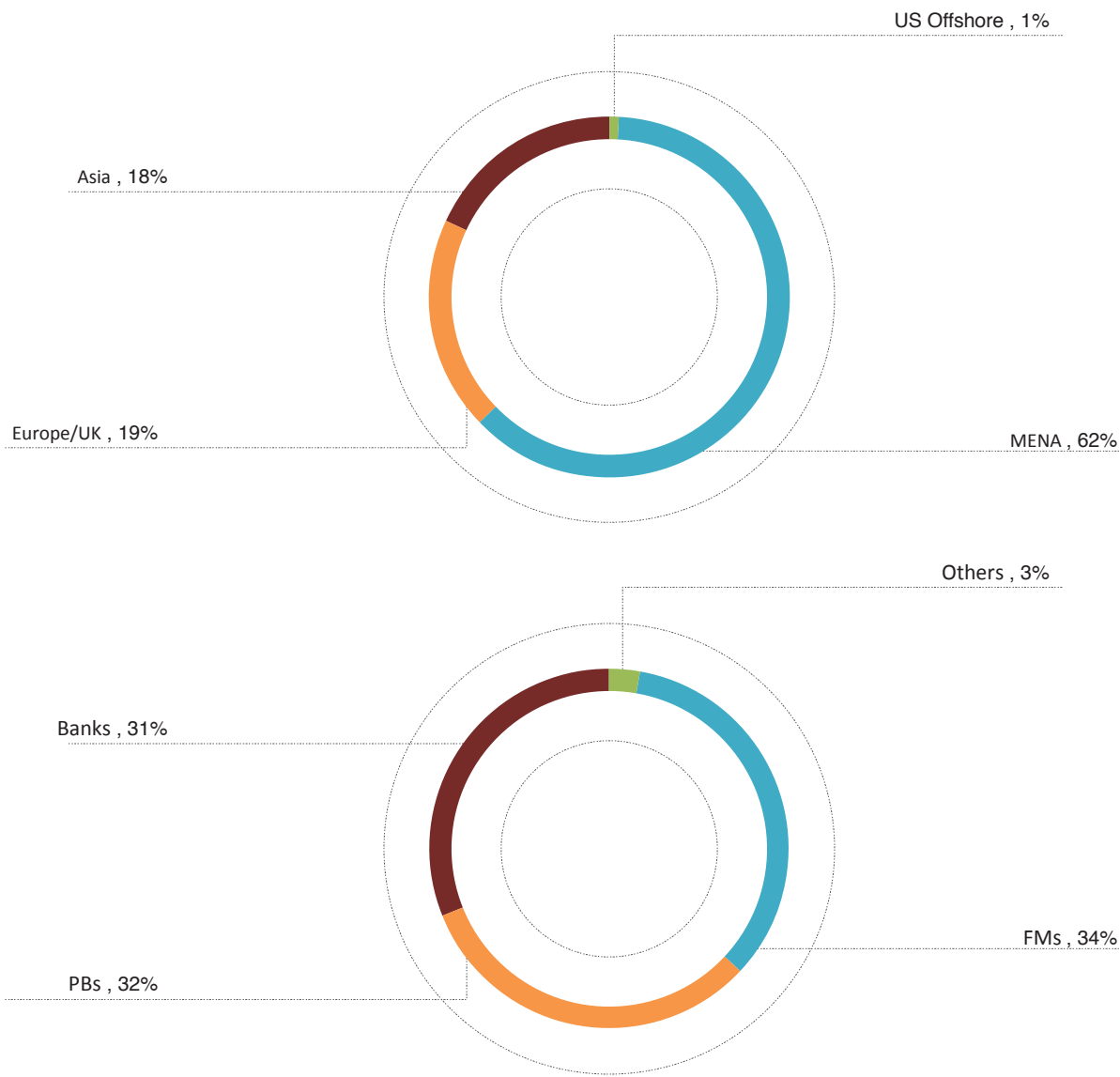
Overview	On Wednesday 16th Jan, DIB successfully priced a USD 750mn NC6 Additional Tier 1 (AT1) Sukuk.
Sharia Structure	DIB utilized a Mudaraba structure, in line with most of the AT1 Sukuk. A summary of the Mudaraba structure is provided in the next page.
Announcement & Roadshow	The transaction mandate was announced on Wednesday 9th Jan at 6pm UAE time, highlighting DIB's intention to issue a NC6 AT1 Sukuk. An extensive marketing exercise was carried out via an investor roadshow in London (Friday 11th January), Singapore (Mon 14th January) and Hong Kong (Tue 15th January) to engage with key fixed income investors and update them on DIB's credit developments since DIB's previous capital markets exercise in Jan-2018.
Pricing	<u>IPT Release</u> : On Wednesday 16th January at UAE open, IPTs were released at High 6% area for the NC6 AT1 Sukuk <u>Price Guidance</u> : After 5 hours of bookbuilding, the orderbook was in excess of USD 2.7bn and the price guidance was revised at 6.500% area with a maximum size of USD 750mn <u>Launch</u> : At 3.30pm UAE time, the books were in excess of USD 3.4bn and the transaction was launched at 6.250% with a size of USD 750mn
Book-Building	While the Syndicate group started with generous IPTs in the High 6% area in order to build initial momentum in the book and capture wider investor interest, the strong demand for the paper allowed the Syndicate to tighten the price significantly to eventually land in the low 6% (6.250%), effectively printing with a New Issue Premium anywhere between 0-5bps. The transaction attracted strong demand from European and Asian investors, that were keen to play AT1 given the scarcity of this type of paper in the regional market. The transaction was 5.04x oversubscribed.

Orderbook Progression, Wednesday 16th January

By: Dubai Islamic Bank



Allocation Breakdown by Geography & Investor Type



Structure Diagram

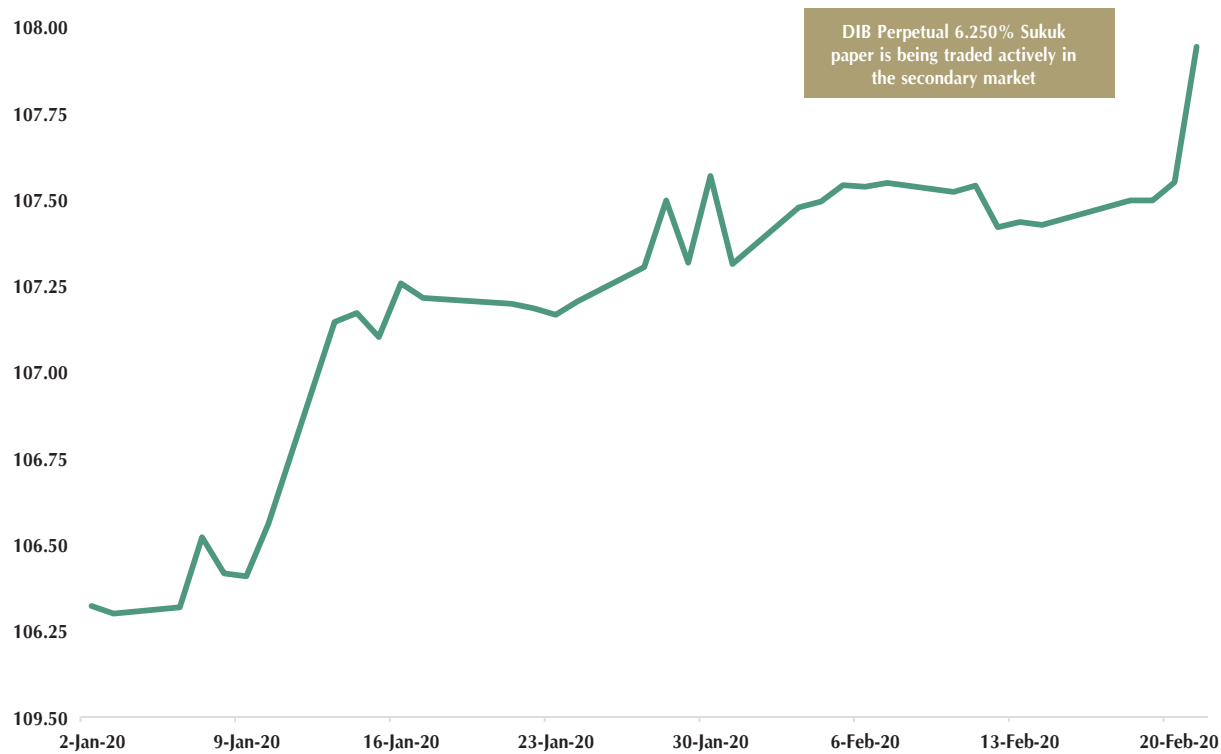
Sukuk Mudaraba



- On the issue date, the issuer (an SPV) will issue certificates to certificate holders in consideration of the proceeds from the issuance (issuance proceeds).
- The issuer (i.e. the SPV) as Trustee, will declare a trust in favour of the certificate holders over, inter alia, all rights, title, profit and benefits relating to (i) the assets constituting the Mudaraba Assets, (II) the Transaction documents and (iii) monies standing to the credit of the related transaction account.
- Pursuant to a mudaraba agreement between DIB (As Mudareb) and the Trustee (as Rab-al-Maal), the Rab-al-Maal will contribute the issuance proceeds to the Mudareb, which proceeds will form the initial capital of the Mudaraba.
- DIB (as Mudareb) will invest the Mudaraba Capital in the general business of DIB in accordance with an agreed investment Plan set out in the Mudaraba Agreement. The Mudaraba Capital as so invested shall constitute pro rata undivided assets in the General Mudaraba Pool (Mudaraba Assets). DIB shall be entitled to co-mingle its own assets with the Mudaraba Assets.
- On each Mudaraba Profit Distribution Date, the Mudareb shall distribute the profit generated by the Mudaraba to both the trustee and the Mudareb in accordance with the following profit sharing ratio 90% to the Trustee and 10% to the Mudareb. The Trustee shall apply its share of the profit (if any) generated by the Mudaraba to pay the Periodic Distribution Amounts due to the certificate holders.
- Payments of Mudaraba Profit by DIB (as Mudareb) are at the sole discretion of DIB (as Mudareb) and may only be made in circumstances where DIB will not be in breach of certain solvency and minimum capital conditions prior to, and as a result of, making such payment.
- The profit rate shall be reset on the first call date, and every six years thereafter if DIB does not elect to redeem the Certificates.
- The Mudaraba is a perpetual arrangement with no fixed end date. Subject to certain conditions, including approval of the Central Bank of the UAE, DIB (as Mudareb) may at its option liquidate the Mudaraba in whole on the basis of final constructive liquidation (1) on the first call date or any profit payment date thereafter or (2) upon the occurrence of a Tax Event or a Capital Event on any date on or after the issue date.
- Point of Non-Viability Loss Absorption: If a Non-Viability Event occurs, the certificates will be fully (or partially in exceptional circumstances as determined by the UAE Central Bank) written down and (in the case of a write-down in whole) the Mudaraba Agreement will be automatically terminated.

Secondary Market Performance

Since January 2020



High Level Structure Summary

Issuer/ Rab-al-Maal	DIB Tier 1 Sukuk (3) Ltd.
Mudareb	Dubai Islamic Bank PSJC (“DIB”)
Maturity	Perpetual
Instrument Rating	Unrated
Ranking	<ul style="list-style-type: none">• Subordinated, senior only to ordinary shares (or any other CET1)• Obligations are subject to the solvency conditions being satisfied and no bankruptcy order in respect of the Mudareb having been issued by a court in the UAE. To the extent any of the solvency conditions are not satisfied at the relevant time or a bankruptcy order in respect of the Mudareb has been issued by a court in the UAE, the claims shall be extinguished without any further payment to be made
Issuer Call	22 January 2025 (“First Call Date”) and every distribution date thereafter*
Profit Rate (distributed from Mudaraba generated profit)	<ul style="list-style-type: none">• 6.250% fixed p.a. semi-annual until First Call Date 2025• Reset to prevailing 6-year US treasury rate plus initial margin on First Call Date and every 6-year thereafter (each a “Reset Date”)• Non-cumulative cancellation of profit payments if:<ul style="list-style-type: none">(i) Aggregate of profit payment and any distribution or other amount payable by DIB pursuant to pari passu obligations on the same date exceeds Distributable Items(ii) DIB is, or would as a result of a profit payment be, in breach of applicable regulatory capital requirements (including capital buffers)(iii) Regulator requirements(iv) Solvency conditions are not, or will not as a result of a profit payment be, satisfied or(v) DIB’s discretion
Dividend Stopper	<ul style="list-style-type: none">• Distributions on, redemption or repurchase of share capital, equity securities and parity securities, until the following profit payment has been paid in full (or set aside)
Optional Early Redemptions	<ul style="list-style-type: none">• Tax Event: imposition of withholding tax – Par Call*• Capital Event: full or partial loss of Tier 1 capital treatment – 101% Call*
Variation	<ul style="list-style-type: none">• Upon Capital Event or Tax Event• Capital securities become or remain Qualifying Tier 1 instruments
Non-Viability Loss Absorption (NVLA)	<ul style="list-style-type: none">• Contractual NVLA Full or partial permanent write down
Governing Law / Listing	<ul style="list-style-type: none">• English Law/ Euronext Dublin & Nasdaq Dubai
Format / Denoms	<ul style="list-style-type: none">• USD Reg S, USD 200k + USD 1k denominations

*Subject to conditions for redemption (see full prospectus)
Summary of the T&Cs and full information terms should be read in the full prospectus.

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3.3 Oman Sovereign Sukuk S.A.O.C. Omani Rial Sovereign Sukuk Issuance Programme and its Inaugural Issuances

By: Khairul Emran Mahmud, Senior Manager Capital Markets and
Mohamad Noranuar Sajari, Head Shari'ah Structuring, Bank Nizwa

Highlights:

- Pioneering establishment of the first Omani Rial Sovereign Sukuk Programme to afford supply of high quality Shari'ah compliant investment instrument to build and further deepen the domestic Islamic Capital Market for institutions and investors.
- Novel adoption of differential pricing mechanism in the local Sukuk offering.
- Widest endorsement in terms of Shari'ah precept on the Sukuk programme, its structure and documentation with Shari'ah Fatwa pronouncements from the Shari'ah Supervisory Boards of main Islamic Banking Entities.

Abstract:

The Sultanate of Oman Sovereign established its first ever Omani Rial Sukuk issuance programme and followed with its inaugural issuance and listing on the Muscat Securities Market of OMR 300 million worth of Sukuk in two series; a first series of OMR 100 million with a tenor of five years and a second series of OMR 200 million with a tenor of seven years. Both series were issued concurrently on 10 December 2019. The Omani Rial Sovereign Sukuk issuance program provided the essential foundation for source of Shari'ah-compliant high quality liquid assets (HQLA) and domestic risk free benchmark needed by Omani institutions particularly to the local Islamic Banking Entities and Takaful operators. Additionally, it adds variety to investment instruments available to the local capital market for both institutional and potentially retail investors. Another first was the adoption of differential pricing mechanism in the inaugural Sukuk issuance under the programme where investors bid on the price based on a fixed profit rate and allocations were determined by the competitiveness of each bid. The unique outcome of the mechanism is that the offering resulted in different prices accorded to each competitive auction bid of investors.

Background:

The Sultanate of Oman is classified by the World Bank as a high income country whose economic development is coordinated through a series of five year development plans, each of which sets forth parameters within which annual national budgets are determined. Since 1996, the five year development plans have focused on diversification of the economy, by encouraging investment in non oil industries and services to reduce Oman's reliance on the oil and gas sector. The Government has liberalised economic policies to create a favourable investment climate.

Currently, Oman has been assigned a long-term and local currency sovereign credit rating of BB by S&P with a negative outlook, a long-term issuer rating of Ba1 by Moody's with a negative outlook and a long-term issuer rating of BB+ by Fitch with a stable outlook.

The Omani Rial denominated Sovereign Sukuk Programme is particularly aimed at addressing the needs of the fast growing Islamic financial sector in Oman. This forms an integral part of the strategy of the Oman Government to enhance the depth and scale of the overall domestic capital market, in becoming a key enabler in the economic development of the country. In addition, the issuance of Sukuk under the programme will support the Government in fulfilling its overall development targets and progressing capital market transactions in Oman. The Government seeks to develop the domestic capital market to reduce reliance on international markets to meet financing requirements.

Overview of the Programme

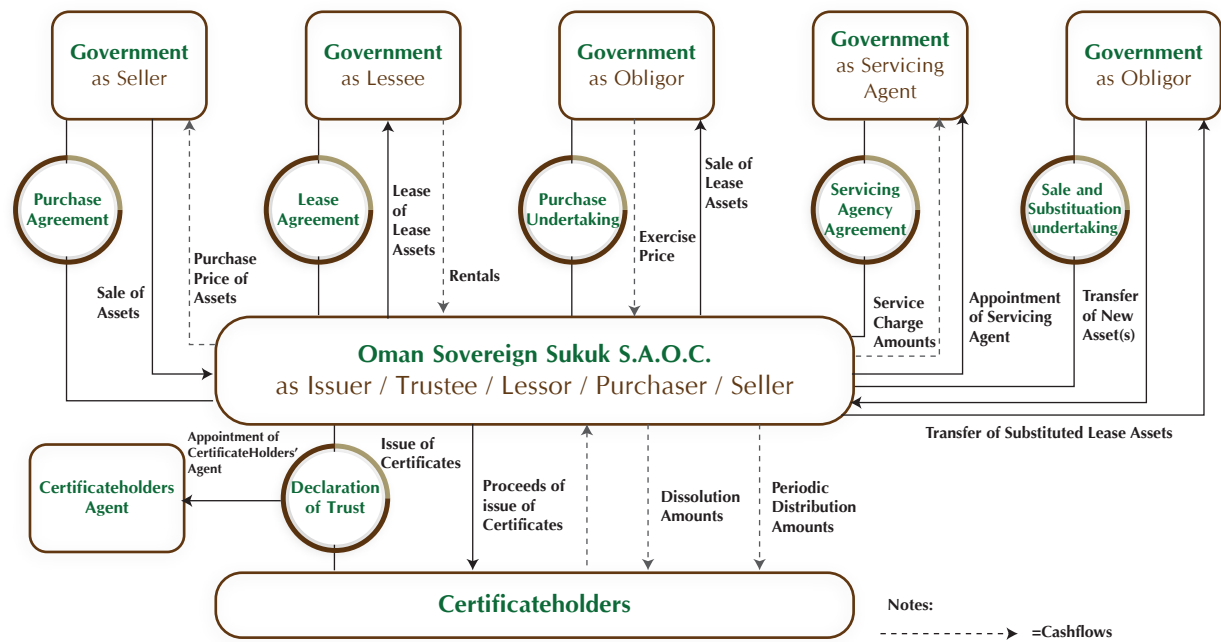
Issuer / Trustee	Oman Sovereign Sukuk S.A.O.C
Obligor	The Government of the Sultanate of Oman, represented by the Ministry of Finance
Sukukholders' Agent / Registrar & Paying Agent	Muscat Clearing and Depository Company S.A.O.C.
Currency	Omani Rial
Programme	The Programme size is unlimited, subject to the annual state budget
Issuance	Sukuk will be issued in Series.
Governing Shari'ah Structure	Ijarah Muntahiyya Bit Tamleek (Leasing ending with Ownership)
Status	Each Sukuk represents undivided ownership interests in the Trust Assets
Governing Law	Omani Law

The Sukuk programme also allows a framework for retail investors to participate in the Sovereign Sukuk offering as a means to earn safe and steady returns over the medium to long term. It is anticipated that retail offering will be made available in the near future.

STRUCTURE, SHARI'AH GUIDELINES AND TECHNICAL ASPECTS

The Sukuk issuance structure under the programme adopts the well established Ijarah structure. The Shari'ah Supervisory Board of Bank Nizwa provided the long form Fatwa for the Sukuk programme supported by the Fatwa of the Shari'ah Supervisory Board of Meethaq and the Shari'ah Supervisory Board of Alizz Islamic Bank. This provides the widest endorsement and acceptability of Shari'ah precept to the Sukuk structure

Structure Diagram and Cash Flow



Salient Features, Structure and Mechanism

No	Steps	Main Documents
1	<p>The Issuer will act as trustee for the Certificateholders (the Trustee). In connection with each issue of Trust Certificates, the Trustee will declare a trust (the Trust) over certain Trust Assets (as defined below) for and on behalf of the Certificateholders. The Issuer will issue Trust Certificates to the Certificateholders and raise the Trust Certificate proceeds (the Trust Certificate Proceeds) therefrom.</p>	Master Declaration of Trust
2	<p>On the date of each issue of Trust Certificates, the Government and the Trustee will enter into a Supplemental Purchase Agreement pursuant to the Master Purchase Agreement whereby the Government will sell certain specified assets described (the Lease Assets) to the Trustee.</p> <p>In consideration for the sale of the Lease Assets, the Trustee shall pay a Purchase Price, which will be an amount equivalent to the Trust Certificate Proceeds. The Trust declared by the Trustee in favour of the Certificateholders will be over, inter alia, its rights, title and interest, present and future, in to and under the Lease Assets and any proceeds from the Lease Assets, the transaction documents and all monies standing to the credit of the transaction account from time to time (the Trust Assets).</p>	Master Purchase Agreement
3	<p>In connection with each issue of Trust Certificates, the Trustee, in its capacity as Lessor, will lease the Lease Assets to the Government (as Lessee) pursuant to a lease arrangement in consideration for periodic rental payments by the Government on each rental payment date, which will be used by the Trustee to pay the Certificateholders periodic distribution amounts.</p>	Master Lease Agreement
4	<p>The Trustee will appoint the Government as a servicing agent (the Servicing Agent) in connection with each issue of Trust Certificates in return for which the Servicing Agent will be responsible for carrying out major maintenance, structural repairs, dealing with occurrences of Total Loss Events and other services such as payment of relevant taxes arising with respect to the Lease Assets. Any costs incurred by the Servicing Agent in performing such services (the Services Charge Amount) will be invoiced to the Trustee for reimbursement.</p> <p>In order to prevent any losses arising from a Total Loss Event and to ensure that the Trustee, as Lessor, is capable of being fully reimbursed in such an event, the Servicing Agent will be obliged to:</p> <p>Obtain Takaful/insurance policies for an amount at least equal to the Full Reinstatement Value.</p>	Servicing Agency Agreement

Continued from previous page...

No	Steps	Main Documents
	Should a Total Loss Event occur, facilitate the replacement of the Lease Assets with Replacement Lease Assets (with a value equal to or greater than the original Lease Assets) if such Replacement Lease Assets are made available by the Government; and if the obligation to insure is not strictly complied with, and the Lease Assets are not replaced, and as a result the Full Reinstatement Value is not credited to the Transaction Account, the Servicing Agent shall subject to certain conditions be liable to pay into the Transaction Account an amount equal to the difference between the Full Reinstatement Value and the amount credited to the Transaction Account.	
5	Pursuant to the Purchase Undertaking, the Government will undertake to purchase the Lease Assets in consideration for the payment of the Exercise Price on or on the Business Day before the Scheduled Dissolution Date or Dissolution Event Redemption Date, in each case following the service of an Exercise Notice. The Trustee will use the Exercise Price to redeem the Trust Certificates.	Purchase Undertaking
6	During the tenor of the Trust Certificates, the Trustee grants the right to the Government to sell and substitute the existing Lease Assets with new Lease Assets. The value of the new Lease Assets will be equal to or greater than the value of the existing Lease Asset that will be replaced.	Sale and Substitution Undertaking

ISSUANCE, MARKET IMPACT AND OPPORTUNITIES

The inaugural Omani Rial Sovereign Sukuk issuance under the programme was offered through a private placement offering marketed primarily to Islamic financial institutions and sophisticated investors. The Capital Market Authority of Oman had allowed the use of red-herring prospectus to support the inaugural issuance. Certain portion of identified real estate earmarked for logistic development was the underlying leased asset for the Ijarah Sukuk.

The opening of the inaugural issuance offering under the programme started from 24 November 2019 and closed on 8 December 2019. The issuance offered investors to participate in a dual series of five year and seven year fixed profit rate Sukuk conducted through a differential price auction. Investors were invited to subscribe for the issuance by submitting bid issue price up to five bids for each series. On closing, the Sukuk allocation was determined based on descending order of bid issue price up to issuance threshold of each series and settled at each allocated bid issue price. Both Bank Nizwa and Bank Muscat collected bids on behalf of the Oman Government.

Initially, the target issuance size was for OMR 200 million and was upsized by additional OMR 100 million following high demand and the Government’s intention to allocate the Sukuk as widest possible. The issuance received strong response and generated firm orders in excess of OMR 400 million from a wide base of investors including Islamic institutions, banks and pension funds. Books closed with an oversubscription circa 1.3 times against the aggregate issuance size. Both Sukuk series was subsequently listed on the Muscat Securities Muscat on 12 December 2019 to allow ease of tradability.

The strong response for the issuance and the differential pricing mechanism adopted afforded the Oman Government a tight pricing for the Omani Rial Sukuk with equal or better than the conventional Omani Rial Government Development Bonds.

It is anticipated that the Oman Government, will issue subsequent series of Sukuk from the programme to make available to the domestic market high quality investment instrument, either through public or private offering, as well as risk free domestic benchmark referencing to Islamic institutions for better pricing transparency.

Overview of the Issuance Series

Status	Senior Unsecured	
Issue Series	Series-1 and Series-2	
Issue Size	Series-1: OMR 100 million	Series-2: OMR 200 million
Issue Date	10 December 2019	
Maturity Date	Series-1: 10 December 2024	Series-2: 10 December 2026
Profit Rate	Series-1: 5.00% per annum	Series-2: 5.50% per annum
Par	100.000	
Issue Price / Yield (average)	Series-1:	Series-2:
	101.684 / 4.62%	102.418 / 5.09%
Law	Omani Law	
Listing	Bonds & Sukuk, Muscat Securities Market	
Issue Managers, Shari’ah Adviser & Collecting Banks	Bank Nizwa S.A.O.G, Bank Muscat S.A.O.G. including its Islamic Banking window - Meethaq, and Alizz Islamic Bank	

Conclusion

The successful establishment of the Omani Rial Sovereign Sukuk Programme and its inaugural Sukuk issuance that followed was well received and welcomed by the domestic capital market community. Such offering was longed by the growing Islamic institutions in Oman for an instrument which is of HQLA, as a tool for liquidity management and investment. The overwhelming response for the Sukuk indicates the increasing need for such Shari’ah compliant instrument in the domestic market and the Government is expected to continue supporting the industry through issuances under this programme. Accordingly, the Sukuk programme and its inaugural issuance achieved the Oman Government’s objective for availability of high-quality investment instrument to the domestic Islamic institutions, having widest participation of investors and achieve tight pricing on par with conventional Government bonds.

3.4 Successful Issuance of First Ever PKR 200 Billion Pakistan Energy Sukuk-I

By: Syed Taha Ghayas, VP - Shariah Compliance, Meezan Bank Limited

On 1st March 2019, a consortium of Islamic banks and an Islamic banking window, led by Meezan Bank, successfully closed the PKR 200 billion Pakistan Energy Sukuk-I, issued by the Government of Pakistan through its fully owned subsidiary Power Holding (Private) Limited. The Sukuk paved way for reduction of power sector circular debt in Pakistan.

Background

In September 2018, the Government of Pakistan was facing the circular debt crisis of the power sector, which had surmounted to more than PKR 1.2 trillion (approx. USD 8.6 billion). The Government was in dire need of funds to pay its various institutions, such as Power Distribution Companies, Power Generation Companies, and the major fuel provider, the Pakistan State Oil, whose receivables had accumulated close to PKR 360 billion (approx. USD 2.5 billion).

The Ministry of Energy (Power Division) initially approached commercial banks to explore options for additional financing to help ease the circular debt pressure. However, leading conventional banks refused to extend financing to PHPL, which already had an existing liability of PKR 600 billion on its books to these banks.

In this scenario, the Islamic banking industry consisting of five dedicated Islamic banks and an Islamic banking window, provided a unique solution to the Government of Pakistan for reduction of circular debt through issuance of the first ever listed, SLR eligible Sukuk.

Key Facts & Figures

Issuer	Power Holding Private Limited, 100% owned by the Government of Pakista
Mandated Lead Arrangers (MLAs)	Meezan Bank Limited Faysal Bank Limited BankIslami Pakistan Limited Dubai Islamic Bank Pakistan Limited MCB Islamic Bank Limited Al Baraka Bank Pakistan Limited
Shari’ah Advisor	Meezan Bank Limited
Investment Agent	Meezan Bank Limited
Trustee	Meezan Bank Limited
Legal Counsel	Mohsin Tayebaly & Company
Eligible Investors	Local and foreign institutions and retail investors
Issue Size	PKR 200 billion
Face Value	PKR 5,000
Transaction Mode	Ijarah

Continued from previous page...

Issue Date	March 1, 2019
Tenor	Ten (10) years
Profit Rate	6-Month (ask-side) KIBOR plus 80 basis points
Profit Frequency	Semi-annual
Tradability	The Sukuk is listed in Pakistan Stock Exchange while custody is held by CDC

Overview of Shari’ah Structure

The Shari’ah Structure of the Sukuk was approved by the Shari’ah Supervisory Board of Meezan Bank Limited. Overview of the structure is as follows:

- Sukuk Subscription and Investment Agency Agreement:** The Investors will appoint one of the participating banks (namely Meezan Bank Limited) as their Investment Agent by executing Sukuk Subscription and Investment Agency Agreement for the purpose of participating in Sukuk.
- Authorization Agreement:** This Agreement will be entered into between the Investment Agent, Companies and Issuer, pursuant to which the Companies will record that they are wholly owned by GoP and upon instruction of GoP they authorize PHPL (wholly owned by GoP) to sell the Assets to the Investors for the purposes of the Sukuk Issue, contain certain negative and positive covenants. Investment Agent will also authorize the company to hold legal title on behalf of Investors as joint co-owner. Each Company will also agree with the Investment Agent that they will continue to hold the legal title of the co-owned Assets on behalf of and for the benefit of the Investors. This will be registered with the Securities and Exchange Commission of Pakistan by each of the Companies.
- Master Facility Agreement:** Master Facility Agreement will be executed between Issuer and Investment Agent to create co-ownership over the identified Assets. Master Facility Agreement will contain the terms and conditions under which co-ownership will be established upon execution of Asset Purchase Agreement.
- Asset Purchase Agreement:** At the time of disbursement, an Asset Purchase Agreement will be signed between the Investment Agent (acting on behalf of Investors) and Issuer. If required, the Asset Purchase Agreement will also be acknowledged by authorized representatives of GENCOs/DISCOs. Letter of Possession will be executed for handing over by seller and taking possession of the Assets by the Investment Agent.
- Ijarah Agreement:** After execution of Asset Purchase Agreement, Issuer and Investment Agent will execute Ijarah Agreement under which Investment Agent will lease the undivided share of Investors in the Assets to Issuer.
- Trust Deed:** A Trust Deed will be executed by Issuer and the Trustee pursuant to which the Sukuk will be governed and the security interest and the rights and benefits of the Investors will be vested in the Trustee.

- Substitution of Assets:** Upon request of the Issuer and on the sole discretion of the Investors at that time, specific part of the Underlying Transaction Assets can be substituted with other Assets of the same value by executing the agreements/documents advised by the Legal Counsel and Shari’ah Advisor at that time.
- Purchase Undertaking:** After execution of Ijarah Agreement, the Issuer, on behalf of the Companies, will give a unilateral undertaking to purchase all the outstanding ownership of the Investors at a Buyout price upon maturity and/or at any Event of Default and Termination under the Sukuk Agreements. The Buy-out price will be equal to the face value of the Sukuk Issue. Issuer will also undertake to pay any amount outstanding or overdue under any of the Financing documents. Transfer of Ownership under this Undertaking will be evidenced by the execution of Sale Contract at that time.

Unique Features of the Sukuk

1. **Separate set of rules issued for first of its kind Sukuk:** Separate set of rules exclusively for Pakistan Energy Sukuk were notified by the Government of Pakistan in the Gazette of Pakistan. Also, the Sukuk was qualified as SLR eligible instrument, from Government of Pakistan (GoP) and State Bank of Pakistan (SBP).
2. **Exemption from Sukuk Regulations 2017:** The Securities and Exchange Commission of Pakistan exempted the Sukuk from Sukuk Regulations 2017. Subsequently, Meezan Bank played the role of Shari'ah Advisor, Investment Agent and Trustee on voluntary basis, without charging fee from the Government of Pakistan.
3. **Mechanism of Charity Payment in Case of Delayed Payment:** It has been agreed between the Government of Pakistan that in case of delayed payment by the Issuer beyond more than 30 days after the rental payment date, the Issuer will pay an amount to be calculated through a pre-agreed formula, which will be utilized in charitable purposes.
4. **Escrow Mechanism:** The rental payments of the Sukuk are accumulated in an Escrow Account, which is funded by Central Power Purchasing Agency (CPPA) on a daily basis through one of its electricity bills collection accounts. The escrow account is filled 30 days before the rental payment date in order to ensure timely rental payment to Sukuk holders.

Listing of the Sukuk in Pakistan Stock Exchange

In October 2019, the Sukuk was listed in Pakistan Stock Exchange, therefore, all local and international companies, including retail investors are now eligible to invest in the Sukuk.

Subscriber Base

The initial subscribers consisted of Islamic banks and Islamic banking windows, however, after listing of the Sukuk in Pakistan Stock Exchange, the Sukuk is now held by Asset Management Companies, Pension Funds, Provident Funds and Gratuity Funds. Local and international retail investors may also invest in the Sukuk directly.

Summary

Pakistan Energy Sukuk-I is first of its kind Shari'ah compliant instrument issued by the Government of Pakistan. The second tranche of the Sukuk is in process of issuance and expected to be issued in 2020 worth PKR 200 billion.



CHAPTER 4

The background is a vibrant green. In the upper half, a world map is visible, with several glowing white arcs connecting different continents, suggesting global connectivity. Below the map, a horizontal bar chart with 15 bars of varying heights is displayed. The text "ARTICLE CONTRIBUTION" is centered in the middle of the image.

ARTICLE CONTRIBUTION

4.1 The Impact of a Changing Regulatory Landscape on Green Sukuk Issuance

By: DDCAP Group

Introduction:

Few could argue we are living in momentous times. At the time of writing, great percentages of our planet's largest landmasses are on fire: some by tragic circumstance, some by human choice. Meanwhile, the smallest landmasses and coastal communities are under threat of being subsumed by rising seas and losing their freshwater supply in their remaining time above sea level. Climate patterns are clearly changing and habitats, their inhabitants and life as we know it are at risk.

Climate scientists have warned that drastic action is needed to halt any further damage to the planet, and to manage the consequences of the damage already done, as there is no proven way to reverse it. According to recent reports by the World Meteorological Organisation (WMO) the average global temperature has risen by roughly 1.1C since the pre-industrial era (1850-1900). A widely held theory is that if the temperature rise can be limited to 1.5C or 2C at the most, we can keep the earth liveable. Not the same, but liveable.

To meet scientists' recommendations, global carbon emissions would need to halve by 2030. But there is little evidence of being able to achieve that. Instead of global carbon emissions falling, emission levels have been setting near records every year. According to the International Energy Association (IEA), 2018 had the largest CO² emissions released into the atmosphere, a 1.7% increase over 2017's then record level.ⁱ Scientists forecast that on our present trajectory we are actually heading to a temperature increase of 3C° to 5C° by the end of the century.

The IEA estimated in 2014 that an additional USD 1 trillion in annual investment was needed through 2050 for the world to stay within 2C° above pre-industrial levelsⁱⁱ. In 2018, the Inter governmental Panel on Climate Change (IPCC)'s Special Report stated that around USD 2.4 trillion in annual investment between 2016 and 2035, about 2.5% of world GDP, would be required to limit global warming to 1.5C° above pre-industrial levelsⁱⁱⁱ. No matter the exact figure, trillions of dollars must be mobilised to help promote green practices and promote the transition to a more sustainable system. Governments themselves do not have sufficient capacity to meet these needs.

This level of investment must come from the capital markets and business itself. Bonds and other forms of debt have been a key part of financing infrastructure projects for centuries. Debt financing has so far proven a more efficient tool than equity for projects like renewable energy which require significant capital investment with a long-term horizon before they are financially viable. With fixed income products making up the largest percentage of the global capital markets, mobilising the bond market to take up green financing is vital to the transition to a more sustainable economy.^{iv}

Development of the Green Bond:

Over the past 13 years, we have seen the development of the green bond markets. Green bonds are financial instruments which commit the proceeds of their issuance to environmentally conscious investments. The growth and development of the green bond market has been steady, particularly in the past five years. Though still small compared to the overall bond market, the green bond market has been incredibly important for promoting sustainable fixed income markets, transparency and a focus on impact.^v

It is generally agreed that the green bond market was born in 2007 with the issuance by the European Investment Bank and the World Bank of a EUR 600 million Climate Awareness Bond that focused on renewable energy and energy efficiency. The following year, in 2008, the first-ever labelled green bond was issued for SKR 3.35 billion (about USD 440 million) by the World Bank (International Bank for Reconstruction and Development (IBRD) in collaboration with Skandinaviska Enskilda Banken (SEB). This growing market gained significant momentum with the International Finance Corporation (IFC)'s March 2013 issuance of the first USD 1 billion green bond. From the first issuances in 2007 and 2008 by Multilateral Development Banks (MDBs), the market expanded with private sector issuers, including corporates and banks. By 2015, there was a total annual issuance of USD 4.18 billion (36% corporate bonds, 15% municipalities and 12% banks). By the end of October 2017, 90% of all new green bonds had come from issuers other than MDBs.^{vi}

Fast forward over a decade from the first Climate Awareness bond to 2019. Last year's total green bond figures were measured by the Climate Bonds Initiative (CBI) to be USD 257.7 billion. This figure, up 51% on the final 2018 figure of USD 170.6 billion, exceeded CBI's forecast of USD 230-250 billion for 2019. Of the total amount, USD 10 billion (4%) were green loans. Estimates for 2020 range from USD 300 to 450 billion. Whilst these figures show a growing green finance market, they must be seen as part of the broader picture. When compared to the USD 1 trillion needed annually to avoid a 3C to 5C rise, increases of USD 100 billion per annum "though welcome, should now be regarded, at best, as incremental".^{vii}

Development of the Green Sukuk in Malaysia, Indonesia and the GCC

Over the past few years we have seen the development of the nascent green Sukuk market. Green Sukuk are essentially supported by the same structures as conventional Sukuk but the investment parameters of the proceeds will be further defined to accommodate "green" guidelines, as well as Shari'ah stipulation and can be issued for similar purposes to a green bond. Like the green bond market, the green Sukuk market is also gaining momentum driven not only by investors but also by issuers seeking alternative sources of financing, e.g., energy related infrastructure projects. Green Sukuk are a promising market segment but they still lag behind their conventional counterparts in terms of volume of issuance.

Malaysia

As part of the Malaysia's broader socially responsible investing (SRI) framework, the green finance agenda has been a high priority in Malaysia, with top down support from government. In August 2014 the Securities Commission Malaysia (SCM) revised its Sukuk guidelines to incorporate new requirements for the issuance of SRI Sukuk, which included green Sukuk. As part of this work and to promote further green Sukuk, the SCM also offered a number of financing and tax incentives to those projects which qualified as green Sukuk under these guidelines.

Within this enabling environment, in January 2017, the World Bank, Bank Negara Malaysia (BNM) and SCM established a technical working group to explore developing a green Islamic finance market in Malaysia, encouraging green and sustainable investment. As a result of this working group, seven months later, on 27 July 2017, Tadau Energy issued the world's first green Sukuk, raising MYR 250 million (USD 59 million) to finance a solar power plant in Sabah, Malaysia. Issued under Malaysia's SRI Sukuk Framework, it was as reviewed by independent second party, the Center for International Climate and Environmental Research at the University of Oslo (CICERO).

From success to success, in October 2017, Quantum Solar Park of Malaysia issued a green Sukuk for MYR 1 billion. This would be the largest solar power project of its kind in South-East Asia, expected to generate about 282,000MWh of electricity to Tenaga Nasional Bhd annually for 21 years. Like the Tadau Energy issuance, it too was issued under the SRI Sukuk Framework and reviewed by CICERO, receiving a dark green rating.

In December 2017, marking the third green Sukuk issuance for the year, PNB Merdeka Ventures Sdn Bhd, a wholly-owned subsidiary of Permodalan Nasional Berhad, issued a MYR 2 billion green Sukuk to fund the construction of the 118 story Merdeka PNB118 Tower, which would be the third tallest building in the world upon completion and which incorporated sustainable construction and water efficiency into its design. It was the largest green Sukuk to be issued in Malaysia and like the other two previous issuances, CICERO was retained to review the framework.

This was also the first green Sukuk to comply with the ASEAN green bond standards (ASEAN GBS) which demonstrated that green Sukuk can comply with green bond standards as well as with SCM's framework on SRI Sukuk and Shari'ah stipulations. The ASEAN GBS were launched in November 2017 and developed based on the International Capital Markets Association (ICMA)'s Green Bond Principles (ICMA GBP). The ICMA GBP are voluntary process guidelines for the issuance of green bonds and Sukuk that aim to promote the green capital markets by increasing transparency in disclosure and reporting, the key components of which are use of proceeds, sustainability features and management of proceeds. While the ICMA GBP are drafted broadly to align with green bond markets globally, the ASEAN GBS incorporated changes tailored to the ASEAN market. This project was a collaboration between the ICMA and the World Bank to help unlock the potential for green financing in the ASEAN region.

By the end of 2018, Malaysia had issued another two green Sukuk for around MYR 240 million each, both with the purpose of financing domestic solar power installations. Additionally, Malaysia RAM Ratings and Malaysian Rating Corporation Berhad (MARC) launched in 2018 the Impact Bond Assessments (IBAs) which aligned independent external reviews of green bonds in Malaysia with the ICMA GBPs.

Indonesia

On December 2014, Indonesia's financial services regulatory authority, Oritan Jasa Keuangan (OJK), published its Sustainable Finance Roadmap to guide Indonesia's financial services industry to play an active role in sustainable development. A key aim of the Roadmap was to promote activities to prevent climate change and promote actions for a sustainable low-carbon future.

In September 2016, Indonesia presented its plan to issue Sukuk of up to 50% of total sovereign debt issuance over the next 10 years with proceeds to fund infrastructure, education and agricultural products. Within this context and with support from the UN Development Programme (UNDP), the OJK presented its green bond framework which incorporated the issuance of green Sukuk. Indonesia's green bond framework was drafted to align with ICMA GBP and the ASEAN GBS, which incorporate the ICMA GBP.

In March 2018, Indonesia issued its first green sovereign Sukuk, whereupon it became the first major Asian sovereign to issue a green bond of any type. 100% of the proceeds of this USD 1.25 billion green issuance were committed to finance and refinance government projects for climate change mitigation and adaptation.

In July 2018, PT SMI issued the first corporate green bond in Indonesia for IDR 5 billion. PT SMI's green bond framework was designed to comply with the OJK green bond regulations which aligned it with the ICMA GBP and the ASEAN GBS.^{viii} In February 2019, Indonesia returned to the green bond market with a USD 2 billion sovereign issuance under its new framework.

GCC

Whilst there is considerable interest in green bonds and Sukuk across the Gulf region, to date no Gulf sovereign has issued a green bond or Sukuk. All activity has been concentrated with corporates and MDBs.

For example, in March 2017 the National Bank of Abu Dhabi, (now First Abu Dhabi Bank after its merger with First Gulf Bank), issued a green bond for USD 587 million. A little over a year later, in September 2018, Masdar (Abu Dhabi Future Energy Co) signed the Gulf region's first green revolving credit facility with four local and international banks to provide funding for new and ongoing investment in clean technology and sustainable real estate projects. This structure was consistent with the Loan Market Association's Green Loan Principles which were launched in the UK in early 2018.^{ix}

More recently, in May 2019, Majid Al Futtaim issued the first green Sukuk by a GCC corporate and the world's first benchmark corporate green Sukuk. The proceeds from this USD 600 million issuance are to be deployed to finance and refinance the corporate's existing and future green projects encompassing green buildings, renewable energy, energy efficiency and sustainable water management.^x Sustainalytics provided the second party opinion on use of proceeds, project selection, proceeds management and reporting. In October 2019, following on from its May 2019 issuance, Majid Al Futtaim completed a second green Sukuk issuance, again for USD 600 million.

And, in November 2019 the Islamic Development Bank (IsDB) issued its first ever green Sukuk, raising EUR 1 billion, as part of its broader USD 25 billion Trust Certificate Issuance Programme. Proceeds from the green Sukuk were earmarked for climate change and green projects, including renewable energy, clean transportation, energy efficiency, pollution prevention and control, environmentally sustainable management of natural living resources and land use and sustainable water and wastewater management. This was the inaugural trade of the IsDB's Sustainable Finance Framework and the first ever AAA-rate green Sukuk in global capital markets.^{xi}

Recent Regulatory Developments for Green Finance in Malaysia, Indonesia and the GCC

Early issuance of SRI and green bonds and Sukuk has been largely self governed. Absence of a standardised approach has led to a lack of clarity around what is or is not a green bond which has resulted in accusations of green washing in the industry. Many issuers have chosen to align with voluntary guidelines from respected industry bodies such as ICMA's GBP. Organisations such as the UN sponsored Principles for Responsible Investment (PRI) have encouraged signatories and members to be transparent about their adherence to these guidelines, urging them to submit their products to review and certification by an independent second party such as CICERO prior to issuance. Such practices ensure markets have the information necessary to review and assess the legitimacy of a bond or Sukuk green claims as well as evaluate the impact of the underlying investments and use of proceeds.

In an endeavour to promote clarity and build legitimacy in the green bond and Sukuk markets, there have been efforts to formalise green frameworks at the national level. The resulting regulation and legislation pertaining to green investments is evolving, and we are beginning to see the approach to green issuances become more formalised in both emerging and more established markets.

Malaysia

Values Based Intermediation (VBI)

In parallel to the SCM's SRI Sukuk Framework, BNM has proposed strategies specific to Islamic banks to support the development of a sustainable financial system, including green finance. Launched with the publication of its strategy paper in 2017, BNM, in collaboration with founding member banks (Bank Islamic Malaysia, Bank Muamalat Malaysia, Agrobank, CIMB Islamic Bank and HSBC Amanah Malaysia) set out to develop strategies to align more closely the financial activities of Islamic banks with the Maqasid al-Shari'ah. By placing a greater emphasis on the wider impact of financial activities, BNM hopes to "generate positive and sustainable impact to the economy, community and environment, consistent with shareholders' sustainable returns and long-term interests."^{xii}

In November 2019, BNM issued the "Value-based Intermediation Financing and Investment Impact Assessment Framework - Guidance Document" (VBIAF) to implement an impact based risk management system to assess financing and investment activities of Islamic financial institutions in line with their commitments under the VBI. It was intended that the VBIAF would also serve as a reference for other non-Islamic financial institutions wishing to align their activities with the intention of the VBI.

Green Taxonomy

In late December 2019, BNM expanded the spirit of VBI with the publication of its proposed green taxonomy framework, “Climate Change and Principle-based Taxonomy” (the Taxonomy). BNM’s discussion paper set out working definitions of three types of climate-related risks (physical, transition and liability) and proposed a classification system by which BNM Supervised Institutions should assess economic activities. In light of the risks and impacts imposed by climate change on financial stability, the focus of BNM’s Taxonomy is to encourage the transition to a low carbon and climate resilient economy by incentivising and supporting economic activities in low carbon sectors and facilitating decarbonisation of existing industries.

BNM Supervised Institutions are to use the Taxonomy (comprised of 5 Guiding principles and a 6 tiered classification system) for development of their business strategy and risk management. Specifically, BNM would hope to see the Taxonomy used to direct financial flows to support the transition, as the behaviour of financial institutions will not only have a positive impact on businesses and communities but may also influence the activities of business and result in the redirection of other capital flows toward green and transitional economic activities.^{xiii}

BNM developed this taxonomy in light of international standards and guidelines as well as the VBIAF Guidance Document. The Taxonomy is intended to build on and extend the VBIAF with a specific focus on climate change and its impact on the wider financial system.^{xiv} Whereas VBI currently applies only to Islamic financial institutions, this new framework (which builds on the spirit of VBI) will guide the entire financial services sector in Malaysia (Islamic and conventional) and is intended to be a reference for others in the financial system such as asset managers, ratings agencies and research houses.

Whilst VBI is mandatory for Islamic banks, the Taxonomy is a voluntary, best practice at present. In time, it is expected to be followed with more formal, binding guidance.

Indonesia

In furtherance of Indonesia’s Sustainable Finance Roadmap and its 2016 plan to promote Sukuk issuance, in 2017 the OJK adopted two national regulations to promote green bond and Sukuk issuance by creating a legally binding framework for green issuance that not only included stipulations as to what was a green product but also included a reporting system to promote transparency.

In July 2017, the OJK enacted the Regulation No. 51/POJK.03/2017 on the Application of Sustainable Finance to Financial Services Institutions, Issuers and Publicly Listed Companies (POJK 51) which requires financial services institutions, issuers, and publicly listed companies to apply sustainable finance principles to their business activities in order to provide the funding necessary to achieve sustainable development and to address climate change. Under this Regulation, financial services institutions, issuers and publicly listed companies are required to prepare sustainable finance action plans and ensure that they have sufficient environmental and social management policies and processes in place.

In December 2017, Regulation No. 60/POJK.04/2017 on the Issuance and the Terms of Green Bonds (POJK 60) set out the standard for green bond issuance in Indonesia. It is an amalgamation of globally accepted green bond standards, such as ICMA’s Green Bond Principles, the ASEAN Green Bonds Standards and the Climate Bond Initiative, with adaptations for the Indonesian market. Regulation POJK 60 builds on the existing issuance regulation by requiring 4 additional stipulations for those issuances which desire a green designation:

- (1) A minimum of 70% of the proceeds from the issuance must be used to finance a green project.
- (2) The use of those proceeds must be applied to at least one of 11 eligible project types (renewable energy, energy efficiency, pollution prevention and control, natural resource management, biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, green products, green buildings and other environmentally sound activities).

- (3) Issuers must manage the proceeds of the issuance, and report on the use of proceeds. Issuers should create a separate account to manage the proceeds or disclose the use of the proceeds in a specific note in the financial statement.
- (4) The environmental benefit of projects should be clearly defined and verified by an independent third party. Review should cover the performance of the green bond and projects by an independent third party and the result shall be reported annually to the OJK.

In January 2018, the OJK, Indonesian Ministry of Finance and the World Bank held a joint technical workshop on green bonds which reviewed the regulatory framework and guidelines for issuing green bonds in Indonesia juxtaposed against regional and global standards, guidance on the process of issuing green bonds and the case study of Malaysia which issued the first green Sukuk in June 2017.

GCC

Although all GCC members are signatories to the Paris Climate accord, the implementation of robust climate strategies and green financing has been mixed. Some GCC members have been slow to introduce frameworks or update their capital market regulations. This has made it difficult for issuers in those countries to pursue green bond or Sukuk transactions. Meanwhile, the UAE, in particular Dubai and Abu Dhabi, has taken steps to facilitate green bonds and ESG principles.

In October 2018, the Dubai authorities adopted a framework for primary and secondary markets for green bonds and Sukuk with UAE Federal Decree Law No. 9/2018 On Public Debt (Public Debt Law). With this law, the UAE established a framework for UAE federal bonds and Sukuk issuances which specifically states that public debt can be allocated for infrastructure projects. Many are of the view that this legislation is the first step to a sovereign green issuance to support a renewable energy infrastructure project and this is supported by Dubai and Abu Dhabi each having developed coalitions to further green finance in their jurisdiction and now partnering with similar intent.

Specifically, in September 2019, the Dubai Economy Development Centre (DIEDC), the Dubai International Financial Centre (DIFC) the Dubai Financial Market (DFM) and CBI signed an MoU on green Sukuk growth. DIEDC commented that the MoU is intended to develop standards of certification for green Sukuk using the Climate Bonds Standard and Certification Scheme. A working group under this MoU will also focus on ESG integration, nurturing issuance of green financial instruments (equities, Sukuk, ETFs) in Dubai.

Further, on 15 January 2020, Abu Dhabi announced the formation of a “Green Bond Accelerator” programme which is a joint collaboration between the Department of Energy, the Abu Dhabi Global Market and the Abu Dhabi Securities Exchange with the objective of “establishing Abu Dhabi as a regional hub for the issuance of green bonds and green Sukuk for sustainable projects in the Emirate as well as across the Middle East and Africa.”^{xv}

UAE Principles

The UAE took a further step in January 2020 when it published its “Guiding Principles on Sustainable Finance in the UAE” (the UAE Principles). The UAE Principles are rooted in the UN Agenda for Sustainable Development and the intention is for the UAE Principles to support the implementation of the UAE’s sustainability priorities nationally and signal internationally that the UAE recognises the importance of ESG factors to the investor community. The UAE Principles aim to facilitate the UAE’s transition to a more sustainable economy and help organizations to develop strategies which re-orientate and diversify the economy, help mitigate risks of reduced global demand for oil, adapt to the physical risks of climate change and explore the new investment opportunities it presents.

The UAE Principles are the collaboration of several financial services authorities in the UAE, including: the Ministry of Climate Change and Environment, Central Bank of the UAE, Insurance Authority of the UAE, Abu Dhabi Global Market; the Securities and Commodities Authority; the Dubai Financial Services Authority; the Dubai Islamic Economy Development Centre; the Abu Dhabi Securities Exchange, the Dubai Financial Market and Nasdaq Dubai (collectively, the Authorities)

The UAE Principles comprise the following 3 principles:

- Principle 1: Integration of ESG Factors into Governance, Strategy and Risk Management
- Principle 2: Minimum Eligibility Requirements (project evaluation; use and where applicable, management of proceeds; recording/disclosing/reporting of use of proceeds including certification and third-party reviews)
- Principle 3: Promotion of Appropriate ESG-Related Reporting and Disclosures

All 3 Guiding Principles are intended to apply to “issuers” (e.g. Banks - in their capacity as Issuers - including Islamic banks, Corporates and Public Agencies, including government owned companies and Sovereign Wealth Funds). “Intermediaries” (e.g. Banks - in their capacity as Intermediaries, Exchanges, Advisory Firms, Credit Rating Agencies) and “Investors” (e.g. Insurance Companies, Asset Owners, Asset Managers, Sovereign Wealth Funds and Pension Funds and Brokerages) are encouraged to adopt Principles 1 and 3.

The UAE Principles are said to be the first step in an effort to ensure a gradual and consultative transition and the Authorities undertake to implement appropriate measures including, potentially, guidelines and policies to encourage the UAE financial firms to develop strategies to incorporate ESG considerations in their business activities and decision-making, risk frameworks and in the context of exploring new investment opportunities. The Authorities have confirmed that the UAE Principles take into consideration Shari’ah requirements, principles and guidelines.

As published, the UAE Principles are voluntary as the authorities recognise that issuers, investors and other stakeholders are starting at different points and time is needed to develop appropriate sustainability strategies.

Current Status and Future Direction

The green bond market is growing. However, as stated by the CBI in its 2019 green bond review, the rate of recent annual increases is merely incremental when viewed in context of the investment required annually to avert further climate disruption. Green Sukuk issuance plays a part in this growing trend, allocating capital to green and sustainable projects, but it is still a nascent market and quite small in comparison.

For some time, the Islamic Finance industry has sought to engage with the wider SRI community and green Sukuk are a logical entry point. From a structuring perspective, green Sukuk are essentially no different to conventional Sukuk so technical knowledge is broadly available and legal precedents exist across the industry. Therefore, one must wonder what has been holding back the market from growing further when there is a ready appetite.

Is it a lack of underlying projects that would fit the “green” model? Is it the feeling that there is no urgent need or a feeling that this is someone else’s issue? Or, is it a perceived lack of standardisation and a scepticism of what is actually a green investment and not just a representative of “green washing”?

If it is the latter, then it is no surprise that the markets which have seen significant green Sukuk issuance are of those jurisdictions where there has been government and regulator support. For example, the early success of the green Sukuk market in Malaysia is likely attributable to BNM and the SCM working closely with international development agencies such as the World Bank to foster top down engagement. Indonesia’s engagement with the UNDP led to their green bond framework under which they issued two sovereign green Sukuk, proving again that the most accelerated development and growth in Islamic financial best practice is driven by top down engagement.

Further regulatory developments in both Malaysia and Indonesia should hopefully foster additional growth in the market. With a formal regulation setting out the terms of green issuance and a transparency mechanism for responsible business, one would expect to see increased non-sovereign issuance in Indonesia. Malaysia’s legally binding green Sukuk standards were adopted in 2014 and recently followed by frameworks for both conventional and Islamic financial institutions to promote sustainable business. This top down support for a transition to a low carbon economy hopefully should promote further corporate issuance and perhaps a sovereign issuance in time.

Meanwhile, in the GCC, legislative changes have been slower to come and unsurprisingly there has been limited green activity. However, the UAE's federal law promoting sovereign issuances in, inter alia, infrastructure investment coupled with the recent UAE Principles could lay the foundation for sovereign and further corporate issuance. In time, this voluntary regime may lead to legislation with mandatory requirements which may prompt other sovereigns in the region to adopt similar regulations and issue their own sovereign green instruments or support corporate issuance in their jurisdiction.

Malaysia, Indonesia, and the UAE have one thing in common in each of their approaches: they have engaged with global standard setting organisations and incorporated, by either reference or content, recognised and widely-used green bond standards. If we are to expand Shari'ah compliant green financing, we need national or supranational industry guidelines and those guidelines need to be produced and validated within the context of the global green finance market. In the past there have been challenges assessing where we can combine values, disciplines and governance codes, but there is more at stake now. It's no longer simply a quest for prosperity, it is a necessity for our future existence and sustainability.

Conclusion

Business does not operate in a bubble. What harms people and planet will most certainly harm bottom lines as perspective changes. Changes to our climate will impact our ways of living and doing business and accordingly our economies need to be adjusted not only to reward more sustainable practices but also to discourage or even limit practices which are harmful in order to avoid "worst case scenarios." In the meantime, we also need to support the transition to more green, sustainable practices.

Sovereign issuers must be cognisant of these evolving investor preferences. If the welfare and preservation of people and planet isn't sufficient in itself, then the perspectives of global investors, who are increasingly unlikely to invest in sovereign capital market issuances without ESG characteristics, should be a consideration in parallel. If governments wish to continue to build their capital markets, issuing bonds with healthy, steepening yield curves and raise funding for infrastructure by doing so, they will not be able to rely on historical terms and conditions. Sustainability considerations must be incorporated and supported by second party verification.

In Islam, humans are held as stewards of the earth, entrusted with the responsibility of protecting it for future generations. Mobilising finance to meet the required investment levels to preserve our planet is vital and should be a key element of our industry focus and that of our practitioners.

We have (and need) high expectations for the future. We recognise, and should be encouraged by the fact, that we have come quite a long way in the three years since the issuance of the first green Sukuk. However, we know that this is far from sufficient. We are just at the beginning and just starting to realise what we can achieve when we focus and collaborate to promote a viable market for green and sustainable investment.

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- ii. <https://www.climatebonds.net/2014/05/2013-overview-dawn-age-green-bonds>
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4.2 Sukuk and the Transformational Role of FinTech

By: Wethaq (Capital Markets)

Having transformed, among others, payments, retail banking and wealth management, financial technology (fintech) is poised to transform Sukuk capital markets too. We seek to define in this article the objectives of this transformation and assess what specific financial technologies and business models have the greatest potential to enable their achievement.

The 'Informational Nature' of the Sukuk Challenges

It is widely acknowledged in our industry that heterogeneity, legacy infrastructure and fragmentation of operations across the 'securities value chain' are stalling growth and liquidity despite healthy investor demand and 4x growth potential. If we were to acknowledge these challenges as no more than 'informational' in nature (that is, financial data creation and sharing), then we may be persuaded of the potential of technology to address them. Whether or not acknowledged as such, we should probably still agree that the industry does need a common blueprint for the structuring, issuance and management of products with better connectivity between market participants and intermediaries eliminated to the extent possible.

It is worth looking for inspiration to a noteworthy initiative in the conventional markets. The International Swaps Derivatives Association (ISDA) has, in its own words, been working towards the development of "a common, robust, digital blueprint for how derivatives are traded and managed across the lifecycle, and a bedrock of standards upon which new technologies can be built. These offer the potential for much greater automation and cost reduction, enhancing consistency and boosting the potential for these services to operate across firms and platforms."

A 'Bundle' of Financial Technologies

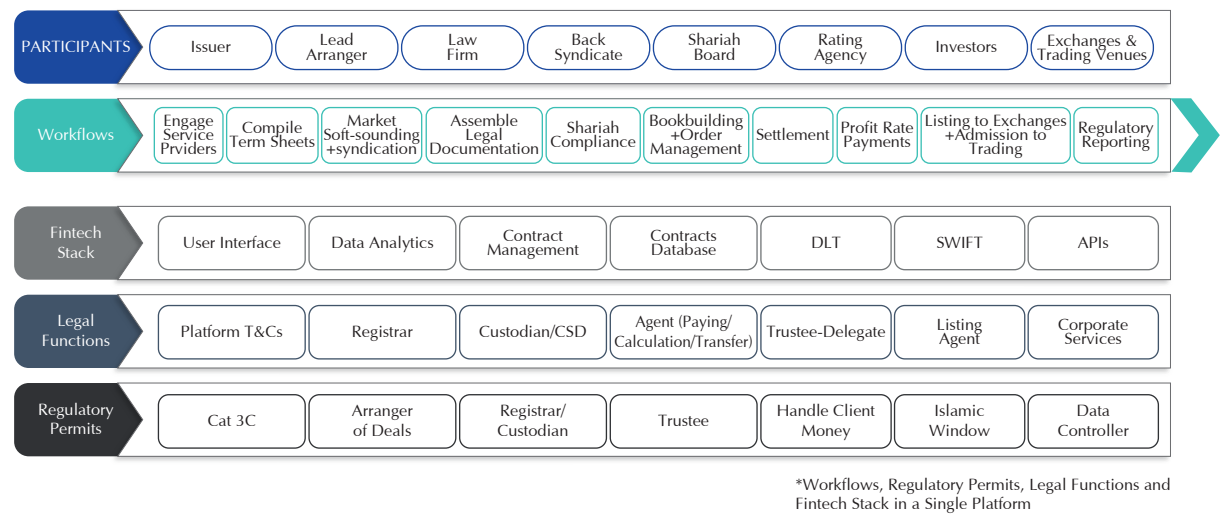
If we are right to believe these are close to the objectives of the Sukuk industry, what bundle of 'new technologies' would one employ to achieve them? Fortunately, there is an ever-increasing variety of them available, starting from 'cloud computing' and software 'microservices', machine learning, robotic process automation, financial and legal markup programming languages, data standards, modernized payment systems to software developer tools and open application programming interfaces.

The optimally assembled bundle will become the "common, robust digital blueprint" or, in other words, the fintech infrastructure for the Sukuk markets. This is a practical benefit of a common infrastructure: the terms in a 'smart' term sheet, for example, are natively stored in a single database common across entities over the instrument's lifecycle, avoiding thus the need for data transfer and manual reconciliation at each stage. As a result, when compiling the term sheet, the DCM team are, in effect, structuring the financial data (payment schedule, currency, profit rate etc) in a form ready for automatic processing by the paying agent post-issuance. In another example, when SWIFT 'gpi' confirmation of profit payments is not received in time, the 'trustee-delegate' microservice is automatically notified by the 'paying agent' microservice and the various remedies for the protection of the certificate holders are enabled on the platform.

As a general principle, this infrastructure can consolidate all the (non-discretionary) functions across the life of a Sukuk product and offer them as pre-programmed 'microservices'. In our view, it will not be long before we see each of the custodian, trustee-delegate and paying agent evolving from back office functions across service providers into software modules consolidated into a single infrastructure. As such infrastructure becomes 'smarter', the more optimist among us expect, some years from now, that the 'softer' aspects of the issuance process will also be 'automated away'.

Graph 1

The Envisaged Sukuk Infrastructure



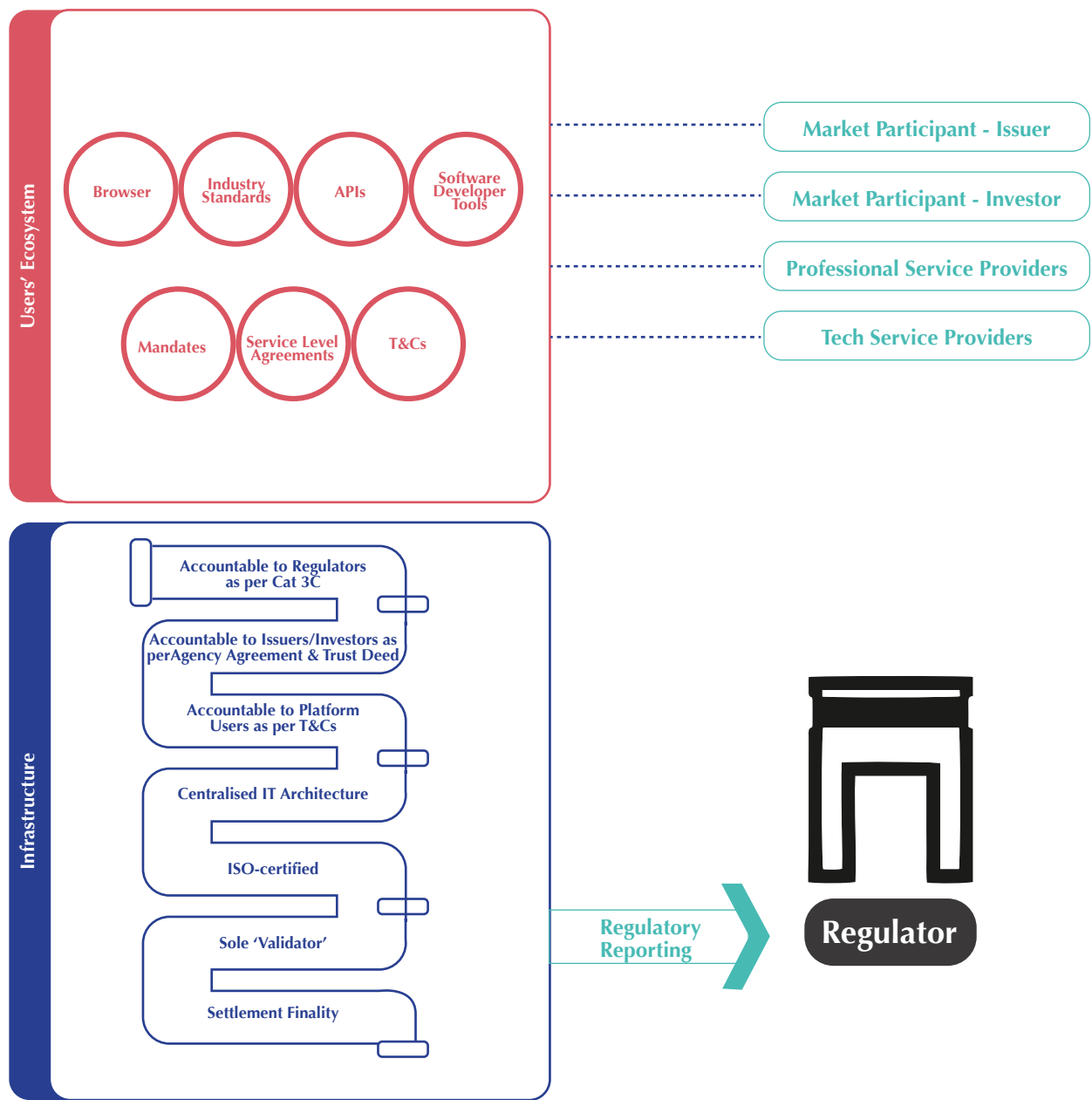
Platformisation

If an industry wide common fintech infrastructure is, indeed, the right approach, then that necessitates a new business model to emerge beyond the ‘siloed’ and private processes of current market incumbents. The strong trend of ‘platformisation’ that originated in ‘big tech’ but is now being increasingly adopted in finance too is looking as the appropriate model with its open economics and operations the market participants and their content/service providers interact on a single platform operated by an ecosystem orchestrator and enhanced by third party applications. Such operator is focused on consolidating and digitally transforming the back office functions letting the market participants to pursue the more lucrative market making activities and advisory services. The operator then connects to secondary markets (to the extent that securities are tradeable) for better access to global markets until its own platform is widely established as the direct source of Sukuk securities.

Recently (albeit with waning enthusiasm), the discussion about modernisation of securities market infrastructure considered the potential of distributed ledger technology, virtual currencies and ‘tokenisation’. We remain skeptics of their transformative potential in the near future; while decentralised/distributed ledgers might work well in peer-to-peer ecosystems for bearer instruments such as bitcoin, there is no good reason (or, for that matter, market appetite) to use them for the disintermediation of registrars/custodians in the highly regulated capital markets.

Graph 2

Open Platform, But Centralized



Sukuk-infrastructure-as-a-service

Instead, we believe that the fintech transformation will be accelerated by an innovative ecosystem orchestrator that develops Sukuk infrastructure which (a) is open but not decentralised; (b) employs a variety of fintech tools that are cleverly assembled together; (c) ‘unbundles’ financial services into advisory and administrative/non-discretionary and provides the latter in the form of software microservices; and (d) produces securities that are digital (‘dematerialised’) and programmable but not tokenised.

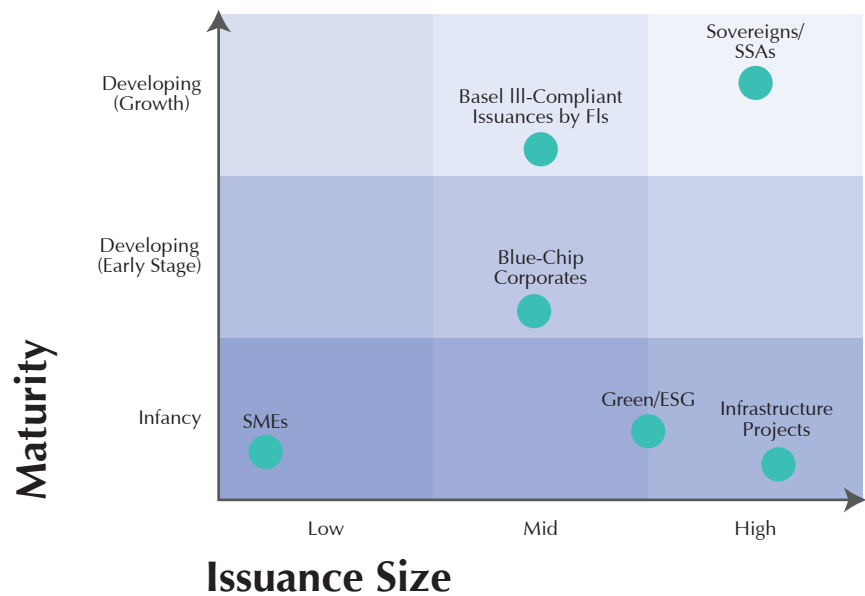
Market Efficiencies

More than just an exercise in innovation, fintech has brought substantial market efficiencies in global finance and we expect the same to happen in the Sukuk markets.

The anticipated reduction in costs and time to issuance should help expand the supply of Sukuk beyond the well served market segments (SSAs and blue-chip corporates) and geographies (GCC and SE Asia). There is a particular segment of creditworthy ‘tier two’ issuers considering favorably the option of a Sukuk but eventually opting for more accessible and less costly conventional products. The regional and Islamic banks have struggled, to an extent, to cater to this segment but we expect they would be better equipped with fintech to do so and satisfy more of the typically unmet investor demand.

Graph 3

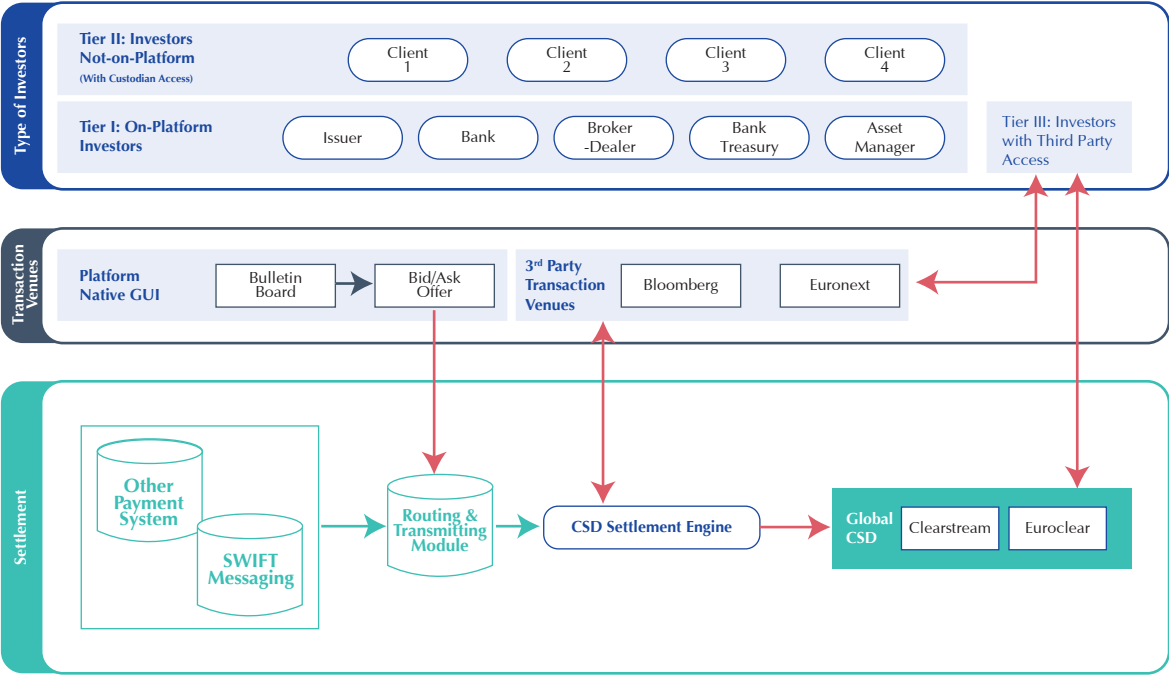
Pockets of Growth



Furthermore, a dynamic primary market could spur higher demand for secondary trading and incentivize the predominantly buy and hold Sukuk investors to participate; by improving the supply of tradable Sukuk and absorbing investors’ excess liquidity. The much needed integration with trading venues, a wider distribution network and better price discovery (with trading data aggregated through a single platform) would, in turn, increase the appeal of the markets and unlock new sources of liquidity beyond the traditional buying centers of GCC and SE Asia.

Graph 4

Investor Access



At a time when the GCC and the rest of OIC Member Countries aspire to modernize their markets and effectively implement Basel III requirements, fintech can provide the needed infrastructure for the development of local currency markets and deeper Sukuk markets, the production of high-quality liquid assets (HQLA) and the establishment of more regular issuance programs across the ‘maturities spectrum’. These aspirations are, naturally, facilitated by capital market related documentation standards issued by IIFM.

Lastly, building investors’ confidence and strengthening Shari’ah oversight, both at regulatory and institutional levels, remain urgent priorities. Fintech (and its sub-domain of regulatory technology) can be employed to provide a secure and permanent Shari’ah audit trail of operations, cashflows and assets, thus, ensuring constant monitoring and automatic notification of any irregularities arising during the life of the Sukuk.

Conclusion

We conclude that financial technology and the ecosystem it enables, present a valuable opportunity for the Sukuk market to overcome the structural challenges that have so far stalled its growth and global expansion. Strategic and collaborative efforts by standard setting bodies, such as IIFM and market incumbents, can be instrumental in the promotion and large scale adoption of this aspired fintech infrastructure.

4.3 Sukuk: Definition and its Types

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This article aims to touch on the definition of the Sukuk and its types in two aspects.

First Aspect: Sukuk Definition

Sukuk has two definitions:finance:

- (1) **Linguistically, and**
 - (2) **Technically.**
- **Linguistically:** In 'Arabic, Sukuk stands for the plural of the word sakk, and which means "legal documents etc". In another perspective, Sukuk is the plural of "sakk" which means to strike or to hit, the meaning is related to strike one's seal on a document. It also means a "legal instrument, deed, check". The word is literally translated as a 'written document'.
 - Technically: there are several definitions from different institutions and they all indicate/refer to the same meaning. These definitions include:
 - (1) Securities and Commodities Authority's Board of Directors' in the United Arab Emirates defined Sukuk as: "Equal and tradable financial instruments that represent shares in the ownership of an asset or a group of assets, and are issued in accordance with Shari'ah" (See its decision No. (16) of 2014 A.D regarding the Sukuk regulation).
 - (2) Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defined Sukuk as: ([6]) "Instruments of Equal value represents common shares in ownership of property, benefits, services, or assets of a particular project or private investment activity, after collecting the value of the Sukuk, closing the subscription and starting using them for what they were issued for." (see AAOIFI Shari'ah Standard No. (17) investment Sukuk).
 - (3) The International Islamic Fiqh Academy defined Sukuk as: "An investment tool based on dividing the capital into equal shares, by issuing financial Sukuk with capital on the basis of equal units, and registered in the names of their owners as they have common shares in the capital and what is transferred to it in proportion to each of them".
 - (4) International Organization of Securities Commissions (IOSCO) defined Sukuk as: "A document or certificate, which evidences the undivided pro-rata ownership of underlying assets or interest in a productive venture.The Sakk (singular of Sukuk) is freely tradable at par, premium or discount".

Second Aspect: Sukuk Types

The Sukuk are diversified into several types, depending on the principles of economic and legal division, and they are explained - without elaboration - as follows:

First - Types of Sukuk according to the economic division:

- (1) In terms of term, they are short, medium or long-term Sukuk. The term here means the Sukuk term since its issuance until its redemption date.
- (2) In terms of nature, Sukuk are permanent or of fixed-term. They may be consumed, whose value decreases over time with partial redemption, and may be increasing by re-investing their proceeds due to their holders in their investment.
- (3) In terms of investment sector, they are either issued to support a sovereign, industrial or agricultural sector, for example.
- (4) In terms of proceeds allocation, they are either general where the subscription proceeds are used in issuer projects, and they may be specific whose proceeds are directed to a part of the issuer investment operations.
- (5) There is an economic division that depends on the issuer type, which may be governmental or private, such as those issued by companies.

Second - The division of Sukuk according to Islamic investment formulas:

- (1) Sukuk al Musharakah (Partnership): Sukuk that establish a partnership between their issuer and holders in a specific project, where they bear consequences, whether losses or profits.
- (2) Sukuk al Murabahah (Cost-Plus Financing): They are issued in return for a commodity sold by the Sukuk holder to the Sukuk issuer on a deferred payment basis, thereby achieving a profit that represents the difference between their purchase price and price of their sale. The commodity purchase value represents the subscription proceeds and the deferred payment value of the sale being the redemption proceeds.
- (3) Sukuk al Mudarabah (Investment): Sukuk represent an agency relationship - in its reality - — a contract between Rabul Mal and the Mudarib, the Sukuk holders (Rabul Mal) invests the money and the Mudarib using its expertise to manage the investment or project. The profit is shared between the Rabul Mal and the Mudarib as per the pre agreed formula. The Mudarib does not bear any loss unless he is negligent.
- (4) **Investment agency Sukuk:** These Sukuk are not different from their predecessors in nature, as they represent an agency relationship between the Sukuk holders and the agent who invests the money in exchange for giving speculator pre-determined speculative fees. The speculator does not bear any loss unless it is negligent.
- (5) **Ownership Sukuk of Leased Property Sukuk AL Ijara:** Sukuk issued in exchange for selling to the investors a property owned by the Sukuk issuer in return for the subscription proceeds, and it is managed mostly thereby. The Sukuk holder owning that property benefits from the yield of its lease. In return, the Sukuk proceeds are affected by a decrease in the rental value and the maintenance of that property.
- (6) **Ownership Sukuk of property usufruct:** Sukuk under which the investor is granted the authority to use a leasable property in return for giving its owner the subscription proceed. The investor has the right to use or exploit that property.
- (7) **Ownership Sukuk of Services or Benefits of Properties Described in the Disclosure:** Sukuk whose value is paid upon subscription. As for the subscription, they are services or benefits of future notables, for example: The government issues Sukuk for building a hospital in exchange for treating subscribers and their families free of charge for a specified period after building that hospital.

- (8) **Sukuk al Salam:** Sukuk issued in return for selling a commodity to be delivered in the future. This is considered a sale of a deferred object in return for urgent object. The deferred is the commodity)price is paid upfront(, represented in the proceeds of the subscription. The urgent object is the sold commodity.
- (9) **Sukuk al Istisna'a:** Sukuk issued by the owner of workmanship in exchange for a commodity to be manufactured and delivered. The Sukuk holders at a specific time against the subscription proceeds.
- (10) **Sukuk al Muzara'a:** They are two types of these Sukuk, one of which is that: The owner of the land - the farmer - issues Sukuk, and use the subscription proceeds in planting the land, provided that the Sukuk holders receive the yields of planting. The second is that: The farmer - a party to a Muzara'a contract - buys the land with the subscription proceeds, and that land is owned by the Sukuk holders, and the farmer plants it, and the Sukuk holders get the return on the crop yield. The Shari'ah opinion on Muzara'a is subject of controversy by the scholars; Some of them authorized it - they are the majority of scholars - and some of them did not authorize it.
- (11) **Sukuk al Musaqqa:** Sukuk wherein the subscription proceeds are used in the crops irrigation, where the crop owner issues the Sukuk and irrigates the crops. The Sukuk holders (Al Musaqoon) deserves a part of the crop yield. These Sukuk may have another nature, such as if the subscription proceeds are used to purchase the land, and the Sukuk holders are their owners, and al Musaqi is the Sukuk issuer.
- (12) **Sukuk al Mugharasah:** Sukuk issued by the land owner, using the subscription proceeds for planting the land. The Sukuk holders (Mugharesoon) deserves part of the crop yield. They may agree on obtaining a part of the land. It should be noted this practice is a subject of controversy between scholars in terms of its legitimacy.

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4.4 Gold Value Chain Finance: Transforming the Production Process

By: Dr. Hatim El-Tahir, PhD (London), FCISI, Director - Audit & Assurance,
Deloitte & Touche - Middle East

The Context

Over the past two decades, the perceptions of Gold asset class have changed substantially, reflecting increased wealth in the East and a growing appreciation of Gold's role within an institutional investment portfolio worldwide, as noted by the World Gold Council (WGC).¹

The WGC also reports that Gold's unique attributes as a scarce, highly liquid and un-correlated asset highlight that it can act as a genuine diversifier over the long term. Gold's position as an investment and a luxury good has allowed it to deliver average returns of approximately 10% over the past 50 years, comparable to stocks and more than bonds and commodities as reported by WGC.

Gold mining and processing is considered to be one of the oldest economic activities that people have ever known and exercised. This is largely attributed to the fact that Gold is bought and used as a strategy to save and 'store value' or a safe haven for uncertain and difficult times.

The precious metal is also considered a strategic asset in many developing and developed countries around the world. Both traditional (small Gold-miners) and modern mining processing and production make a significant contribution to GDP in countries where there is a decent Goldmining industry. The Gold value chain provide different stages of production (downstream and upstream) provide significant level of employment and trade businesses. Governments have been successful to varying levels in introducing regulations and policies to improve mining and refining processes and guidelines.

However, in several countries, such as East Africa, the traditional mining process and small Gold miners have not benefitted from good business and finance regulation. Also lacked good health and safety measures governing their activities, causing significant risks to local societies as well as environment hazards.

This article aims to shed light on the small business and medium enterprises segment and look at the Gold mining chain. The article will also identify Islamic financing instruments to fill funding gaps and improve the business operational capabilities of this segment sector and the overall wellbeing of the community and society where these chain actors operate; mostly rural societies in poorly 'utility-served' and remote cities or towns in several parts of the world such as Sub-Saharan Africa.

It is also hoped this article will invite more research into this sector and spark discussion around the role of Islamic finance and Institutions offering Islamic Financial Services (IIFSs) to develop innovative

Shari'ah compliant products and services to mobilize capital and savings in this important industry and in particular, within our Organization of Islamic Cooperation (OIC) marketplace as a starting point.

What makes Gold an important asset class?

Historically, Gold commodity trade has been associated with Islamic finance for centuries, with the Gold Dinar being used as the currency and trading standard.² More recently, as Islamic finance grew and developed, so did the need for clarity around the Shari'ah treatment of Gold trading and investment. In 2016, the rules for trading Gold were codified into a single Standard: the AAOIFI Shari'ah Standard on Gold. This removed one of the barriers preventing the development of Gold backed products in Islamic finance.³

¹<https://www.gold.org/goldhub/research/relevance-of-gold-as-a-strategic-asset-2020>

²Gold Dinar was the first Islamic currency introduced during the reign of Caliph Abdul Malik ibn Marwan.

³WGC, Market Update Investor insights: gold in Islamic investment, 27 March, 2019,

<https://www.gold.org/goldhub/research/market-update/investor-insights-gold-in-islamic-investment>.

Current demand trends for Gold as commodity

The WGC reports that:

“In year 2020, total Q1 demand grew marginally to 1,083.8t (+1% y-o-y). The coronavirus outbreak, which swept the globe during the first quarter, was the single biggest factor influencing Gold demand. As the scale of the pandemic and its potential economic impact started to emerge, investors sought safe-haven assets”

At the time of publishing this article the Gold price now ranges between USD 1,710 - USD 1,740 an ounce as per May 2020. Many small and medium-size businesses are turning to traditional Gold mining which makes lucrative profits in many countries in Africa.

Table 1 below provides global market data on Gold and its demand. Gold’s diverse uses, in jewelry, technology and by central banks and investors, mean different sectors of the Gold market rise to prominence at different points in the global economic cycle. This diversity of demand and self-balancing nature of the Gold market underpin Gold’s robust qualities as an investment asset.

As seen in table below, the growth in annual investment demand was fueled by excessive e-trading during the COVID-19 outbreak, such as the Exchange Traded Funds (ETFs).

Table 1: Data highlights

	Q1'19	Q1'20		Year-on-year % change
Gold demand	1,070.8	1,083.8	▲	1
Jewellery	533.4	325.8	▼	-39
Technology	79.9	73.4	▼	-8
Investment	300.5	539.6	▲	80
Total Bar and Coin	257.6	241.6	▼	-6
ETFs and Similar Products	42.9	298.0	▲	>300
Central banks & other Institutions.	157.0	145.0	▼	-8

Source: Metals Focus, World Gold Council

The Gold-mining Value Chain

In recent years, the small and medium enterprises involved in Gold mining chain have been faced with a number of challenges ranging from lack of basic health and safety regulation for ‘Dirty Gold-mining’⁴, poor financing and trading practices, and lack of specific employment regulations.

⁴It is generally reported that what is called ‘Dirty gold mining’ has adversely impacted on environment and people life through contaminated water supplies, and use of cyanide, mercury, and other toxic substances.

Traditional and small Gold-miners play a critical role in economic growth in several countries of the OIC marketplace, help create jobs and improve societal life in these countries.

These business and financing challenges make a good case for Islamic banks to tap into this mining sector and develop products and services to improve production and business processes in these regions. Value chain finance works very effectively to integrate these small Gold-miners with mainstream Goldmining players and improve productivity.

An effective Gold Value Chain Finance will provide opportunities for small Gold-miners to access more adequate funding and capital investment and acquire modern mining technologies to improve operational capabilities and reduce cost, and improve health and safety of the working environment which has been ignored and compromised in this sector.

Transforming the Value Chain Financing

The Islamic financial services make a natural choice for the asset-based activities of the small Gold mining industry to finance its acquisition of equipment and machineries, and make use of its raw Gold inventories, accounts receivables and sales contacts as collateral. While other SMEs in the Gold mining chain, with proven Gold reserves (subject to regulatory validation) can access longer-term financing instruments such as *Musharakah* and *Mudarabah Sukuk*.

Gold value chain finance can be designed to offer a number of Islamic financial services to fund different stages of the Gold mining, production, processing and trade.

Islamic banks can also leverage their digitalization and technology advancement to internet banking and mobile and develop services for these 'remote working sites' small Gold-miners to meet their day-to-day life expenses and casual workers wages etc.

Figure 1 on the next page provides two distinct stages of the Gold value chain. The 'Upstream' phase is largely dominated by the mining and refining process and production and the 'Downstream' phase is generally featured by trade and investment by different 'chain actors', depending on the level of maturity of the industry in a particular country. This simple segmentation is used and designed to map possible products and services that can be offered by the Islamic financial industry.

Seven key 'chain actors' have been identified in this diagram of which two main players in the 'Upstream' phase, the mining operators and refining processors. In both types of business they can be small or medium enterprises which will require different sets of financing products and services corresponding to the level of business and risk profile associated with these operational stages of the industry.

Upstream (Mining Phase):

In this initial phase of the Gold production, the 'Upstream' phase, we identified four key 'chain actors' to form this set of Gold trading and investment phase: Gold Exchanges, Gold Fabricators, Retail Distributors and Consumers.

In each phase and in each 'chain actor', Islamic financial services can be designed to cater for the different size of finance required, based on the business risk associated and tenure required.

⁴It is generally reported that what is called 'Dirty gold mining' has adversely impacted on environment and people life through contaminated water supplies, and use of cyanide, mercury, and other toxic substances.

For both ‘chain actors’ 1 and 2 in the ‘Upstream’ phase, these will generally require assets acquisition such as machineries and equipment, working capital financing. In this case, *Ijarah* lease and *Murabahah* financing (debt-based finance) will be ideal products for these types of financing requirements.

In addition, *Mudarabah* and *Musharakah* (equity based finance) can also be considered for credible SMEs with good track records of business performance.

Gold-mining Sukuk can equally be considered in the bigger scale mining projects operated by large and modern technology Gold miners. This type of asset class will require a set of investment regulation and capital market maturity experienced in Western countries such as Australia, Canada and USA where blue chip Gold mining firms have huge proven reserves and exchange-listed expertise that will help them make use of the Sukuk to diversify their investors pool and capital structure.

Downstream (Retail and Investment):

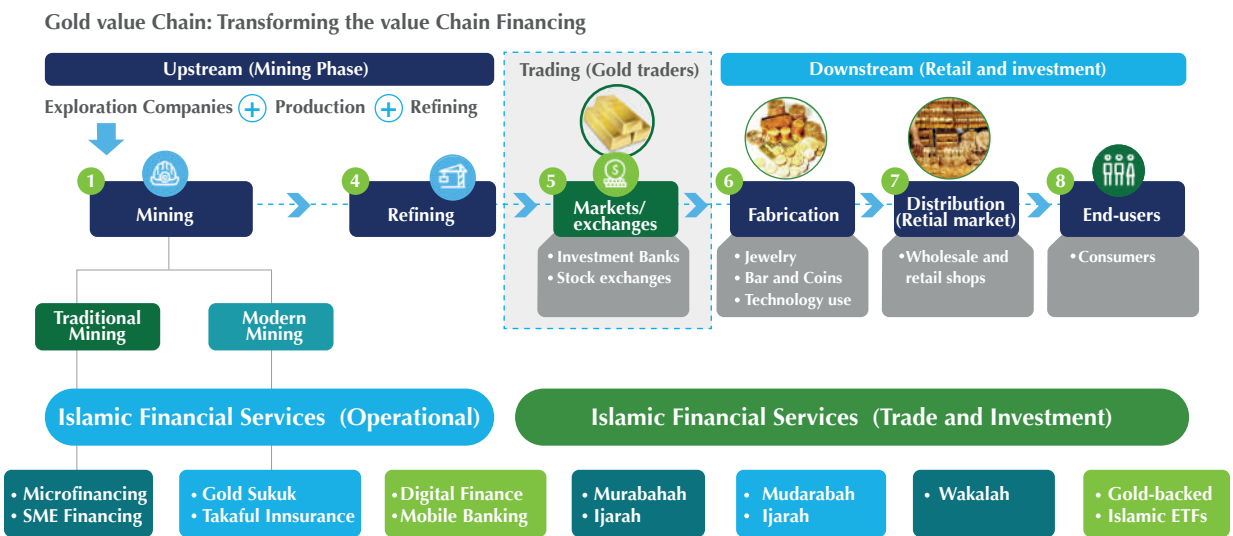
This phase has four ‘chain actors’ and possibly constitutes the bigger proportion of the value chain and involves domestic and cross border trade and banking services and more complex ‘exchange-traded’ products such as ETFs.

The Islamic banking and investment institutions are waking up to the importance of tapping into new technologies to offer (a) a wider range Gold backed saving and investment solutions; (b) provide seamless cross border investment products to niche markets and sectors; (c) reduce operational costs. The new AAOIFI standard should boost efforts to bring both scholars and IIFs’ practitioners to benefit from this new guidelines and design products aimed at widening investors base through structuring new wave of saving and investment products, leveraging the new technology.

Nonetheless, in this section and as it can be seen in our diagram below, the four main ‘chain actors’ can benefit from financing their Gold trade, fabrication, retail or wholesale lines of business. Saving products for individually will equally be interesting to see growth with evident interest now on holding Gold as safe haven.

With the increased prospects of ‘Gold’ seen as safe haven in years to come, the outlook for structuring Shari’ah-compliant Gold linked saving and investment products remain positive.

Figure 1: Mapping Shari’ah-complaint Products with the Key Gold ‘Chain Actors’



Benefits and Challenges: Concluding Thoughts

Developing an efficient Gold value chain finance that will be able to transform and integrate more efficiently the two main streams and 'chain actors' will require a set of policy frameworks to be introduced and a relatively considerable upfront investment from the Islamic financial services industry.

Key to this effort and investment are developing common goals around building market knowledge and good practices with the following main elements in mind:

- Financial literacy: Awareness and education to small Gold miners and small business traders in the field
- Government support: regulation and policy changes to enable offering this value chain financing products and services.
- Investment in 'digital financial services' infrastructure in a particular market or country.
- Bank and Takaful institutions staff training.

CONNECTING ASIA'S ECONOMIES

THE LEADING MIDSHORE BUSINESS AND FINANCIAL CENTRE



Labuan International Business and Financial Centre (Labuan IBFC) offers global investors and businesses the benefits of being in a well-regulated midshore international business and financial centre, which provides fiscal neutrality and certainty, in addition to being an ideal location for substance creation.

Located off the North West coast of Borneo, Labuan IBFC provides access to Malaysia's network of more than 80 double taxation agreements and boasts Asia's widest range of business and investment structures for cross-border transactions, international business dealings and wealth management needs.

Well-supported by a robust, internationally recognised yet business-friendly legal framework, Labuan IBFC operates within clear and comprehensive legal provisions and industry guidelines, enforced by its single regulator, Labuan Financial Services Authority.

With a focus on enabling cross-border transactions, providing risk management structures, Islamic financial services, commodities trading incentives and wealth management vehicles, we offer solutions to regional businesses going global or global businesses looking at penetrating Asia's burgeoning markets.



CHAPTER 5

An aerial photograph of the Petronas Towers in Kuala Lumpur, Malaysia, set against a clear sky. The towers are the central focus, flanked by other high-rise buildings. In the foreground, there is a large, lush green park with a winding path and a small body of water. The entire image has a semi-transparent dark overlay in the center where the text is located.

SUKUK MARKET IN SELECTED IIFM MEMBER COUNTRIES

5.1 Government of Bahrain Sukuk Issuances

Short and Long Term Salam and Ijarah Sukuk Domestic and International

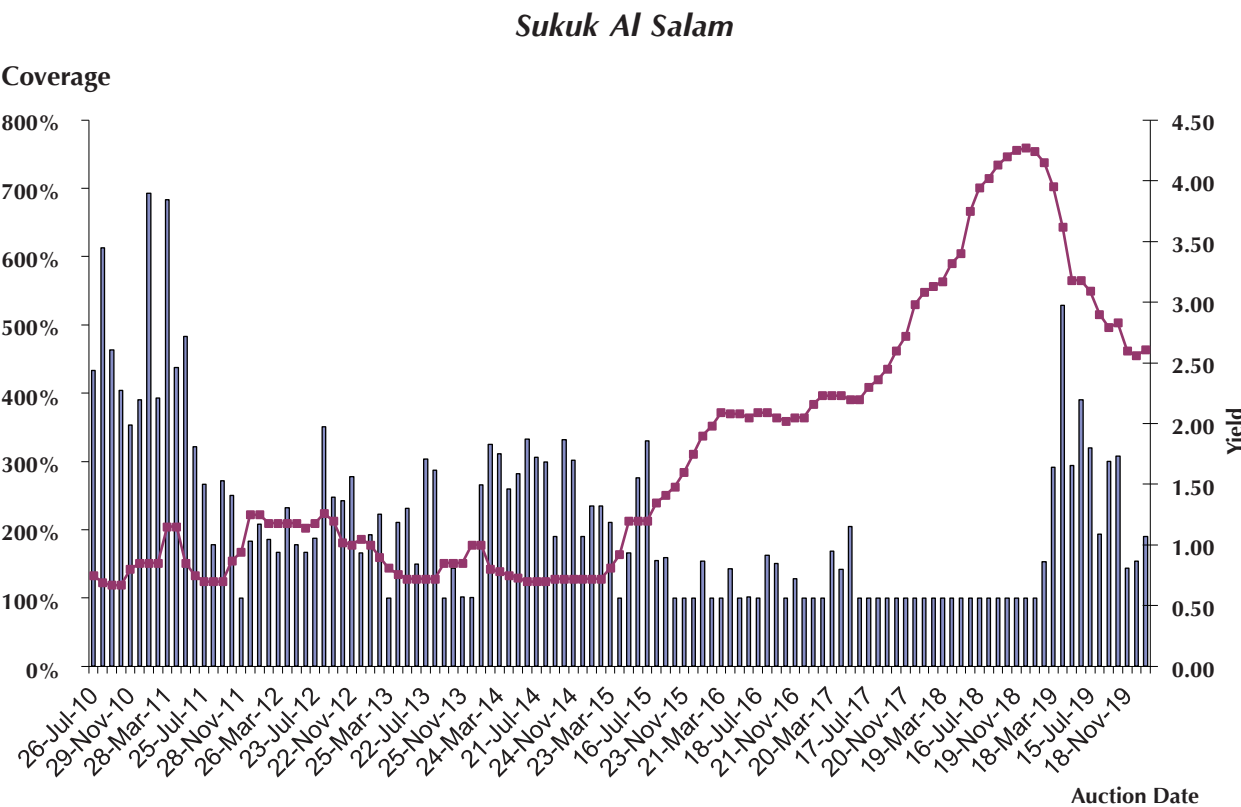
By: Central Bank of Bahrain (CBB)

Introduction:

The Kingdom of Bahrain is one of the countries which have made great strides in launching new Islamic financial products in an innovative manner. It started issuing sovereign Sukuk, as early as 2001. Since then it has been quite active in the Sukuk market and issues short and long term instruments at regular intervals. As much as 20% of Bahrain government’s total financing needs are fulfilled through Islamic instruments. It is therefore an important element in helping the government address its deficits and plan for future development.

1. Sukuk Al Salam

Started in June 2001 and having 225 issues to-date. Sukuk Al Salam are an instrument based on sale and purchase contracts. These securities are collateralised by a commodity (Residue Gas). They are issued through a fixed-rate tender procedure. The rate of return is set by the CBB Monetary Policy Committee.



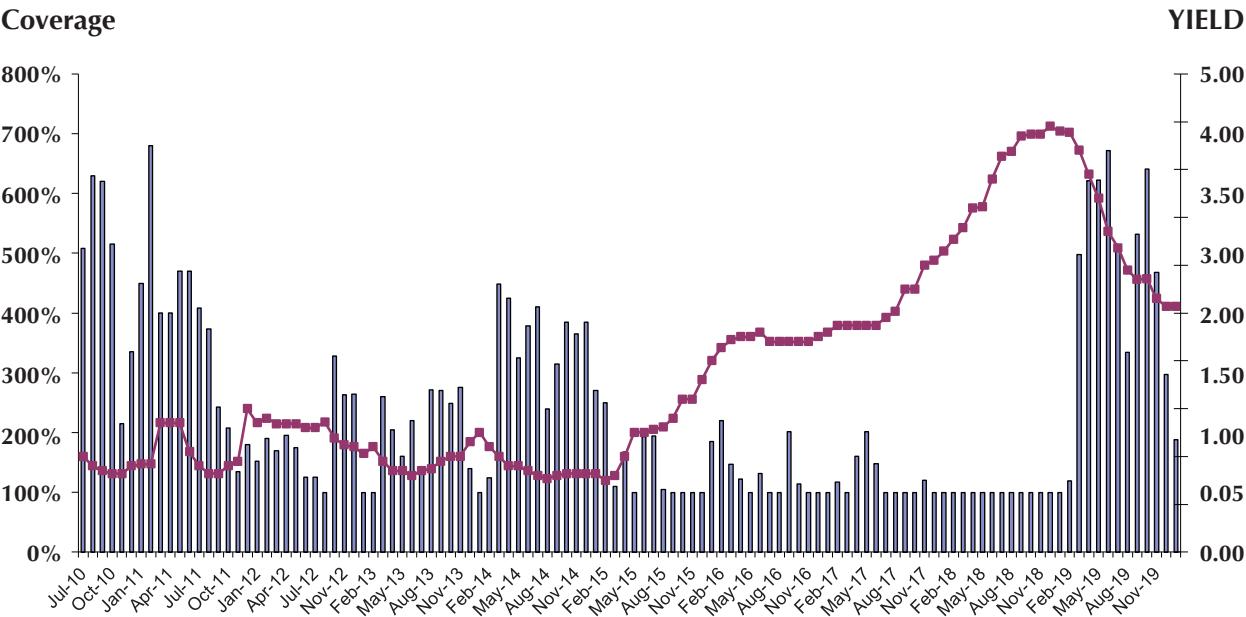
Sukuk Al-Salam yield/coverage chart showing the contrast between the coverage percentage and yield from 2010 to date

2. Sukuk Al Ijarah

2.1 Short term Ijarah Sukuk

Short term Ijarah Sukuk was first issued in August 2005 (173 issues to date). These Sukuk are issued on a monthly basis and have a 6-month (182 days) maturity. The Ijarah Sukuk is an instrument which takes the form of Islamic leasing contracts. They are based on assets owned by the Government of Bahrain and are issued through a fixed-rate tender procedure. The rate of return is set by the CBB Monetary Policy Committee.

Short Term Ijarah Sukuk



- The CBB issues a press release with information about the allotment result, including the issue number, issue and maturity date, amount allotted, expected return and total tenders received.

2.2 Long term Ijarah Sukuk (Domestic)

Long term Ijarah Sukuk were first issued in September 2001 (25 issues to date) upon the request of the Ministry of Finance and National Economy. They are based on assets owned by the government of Bahrain.

Features of long term local Ijarah Sukuk issuances are as follows:

- In issuing these instruments the government of Bahrain sells an asset to the investors who will buy it before renting it back to the government at a predetermined rental rate, via a rental contract (the Ministry of Finance and National Economy chooses the asset which is to be used for a new issue).
- The government will also issue a binding promise to buy back the asset at its par value at the end of the rental period.
- A prospectus is prepared, which gives details on the issue amount, currency, rental return, issue date and maturity date.
- On the date of the rental return, the CBB will transfer the return amount to the participating institutions’ respective accounts (semi-annually).

2.3 Long term Ijarah Sukuk (International)

- International Ijarah Sukuk were first issued in March 2008 (4 outstanding issuances to date).
- On 30th September, 2019; the Kingdom of Bahrain acting through the Ministry of Finance and National Economy successfully priced a USD 1,000 million Rule 144A/RegS long 7.5 year Sukuk with a structure of 51% Ijarah and 49% Commodity Murabahah under the newly established Trust Certificate Programme. The transaction received strong global investor interest, and achieved its lowest ever profit rate on a Sukuk at 4.5%.

Figure 1: CBB’s long term Ijarah Sukuk Issuances (local)

Issue No	Issue Date	Maturity Date	Return rate	Issue Amt.
Issue No. LI/1	04-Sep-01	04-Sep-06	5.250%	USD 100 million
Issue No. LI/2	27-Feb-02	27-Feb-05	4.250%	USD 70 million
Issue No. LI/3	29-Aug-02	29-Aug-07	4.000%	USD 80 million
Issue No. LI/4	19-Nov-02	19-Nov-05	3.000%	USD 50 million
Issue No. LI/5	27-Feb-03	27-Feb-06	3.000%	USD 80 million

Continued from previous page...

Issue No. LI/6	02-Apr-03	02-Apr-08	3.750%	USD 100 million
Issue No. LI/7	27-May-03	27-May-08	%60 B.P Over 6m LIBOR	USD 250 million
Issue No. LI/8	15-Dec-03	15-Dec-06	%30 B.P Over 6m LIBOR	USD 50 million
Issue No. LI/9	30-Jun-04	30-Jun-09	%45 B.P Over 6m LIBOR	USD 250 million
Issue No. LI/11	28-Feb-05	28-Feb-10	4.500%	BHD 30 million
Issue No. LI/12	21-Nov-05	21-Nov-11	5.600%	USD 230 million
Issue No. LI/13	03-Oct-07	03-Oct-12	%30 B.P Over 6m LIBOR	BHD 95 million
Issue No. LI/16	24-Sep-09	24-Sep-12	3.75%	BHD 165 million
Issue No. LI/17	07-Apr-11	07-Apr-16	5.50%	BHD 200 million
Issue No. LI/19	17-Jul-12	17-Jul-17	4.300%	BHD 160 million
Issue No. LI/20	13-May-13	13-May-15	1.450%	BHD 100 million
Issue No. LI/21	08-Jan-15	08-Jan-18	3.000%	BHD 100 million
Issue No. LI/22	19-Jan-15	19-Jan-25	5.500%	BHD 250 million
Issue No. LI/23	09-Jul-15	09-Jan-25	5.000%	BHD 200 million
Issue No. LI/24	17-Jul-17	17-Jul-20	4.200%	BHD 125 million
Issue No. LI/25	08-Jan-18	08-Jan-21	4.800%	BHD 100 million

Source: Central Bank of Bahrain

Figure 2: CBB’s long term Islamic Sukuk Issuances (International)

Issue Type	Issue No.	Issue Date	Maturity Date	Return rate	Issue Amt.
Ijarah Sukuk	LI/14	19-Mar-2008	19-Mar-2013	75 BPS over 6M LIBOR	USD 350 Million
Ijarah Sukuk	LI/15	17-Jun-2009	17-Jun-2014	6.247%	USD 750 Million
Ijarah Sukuk	LI/18	22-Nov-11	22-Nov-18	6.273%	USD 750 Million
Ijarah/Murabahah	1	12-Oct-16	12-Feb-24	5.624%	USD 1 billion
Ijarah/Murabahah	2	20-Sep-17	20-Mar-25	5.25%	USD 850 Million
Ijarah/Murabahah	3	05-Apr-18	05-Oct-25	6.875%	USD 1 billion
Ijarah/Murabahah	4	30-Sep-19	30-Mar-27	4.5%	USD 1 billion

Source: Central Bank of Bahrain

Islamic Standing Facilities offered by the CBB against the Ijarah Sukuk:

Islamic Sukuk Liquidity Instrument (ISLI)

The mechanism of the Islamic Sukuk Liquidity Instrument (ISLI) which was launched in June 2008 is based on sale and purchase transactions meant to help Islamic banks in managing their liquidity. It involves three separate Sukuk sale and purchase transactions requiring three parties, namely the Sukuk owner (the bank in need of liquidity), the intermediary bank (the Market Maker) and the CBB, which offers the liquidity.

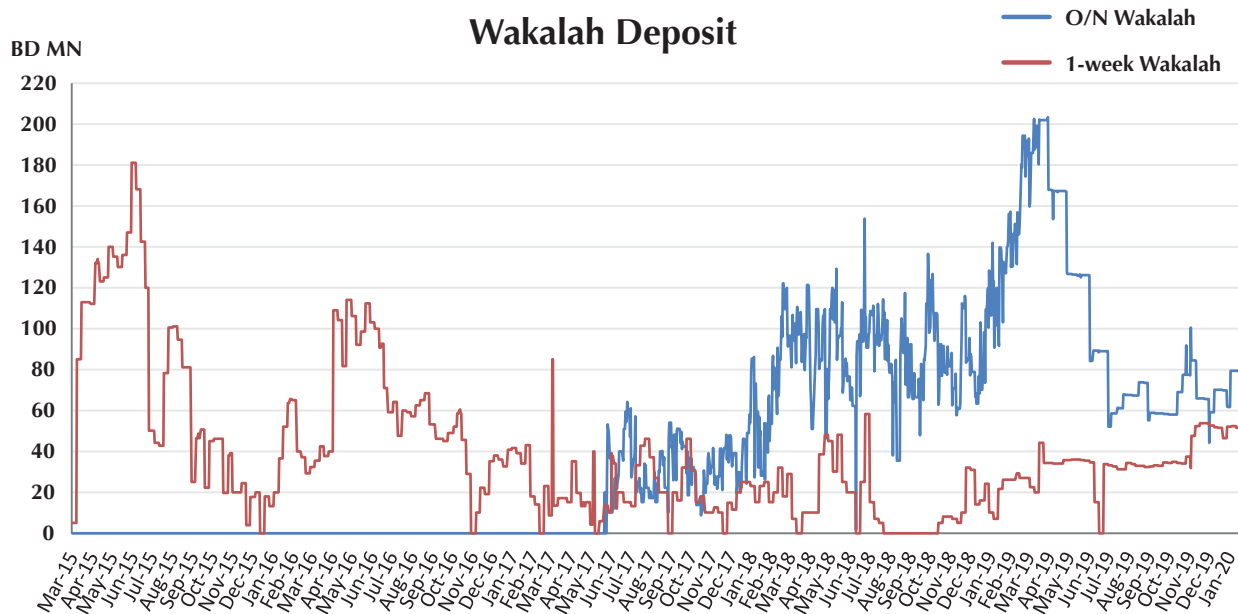
The Sukuk are sold and then repurchased according to the following procedure involving the three parties:

- Bank A (Seller): sells the Sukuk to Bank B (Market Maker) and receives the liquidity needed; should be any CBB-Licensed bank which invests in eligible Sukuk.
- Bank B (Market Maker) sells the Sukuk to the CBB, the market maker should be any CBB-Licensed bank that acts as a broker for the sale of Sukuk.
- The CBB (second purchaser) which offers required liquidity.
- At maturity, the CBB sells back the Sukuk to Bank A (the first seller)

CBB Wakalah Facility

As part of the ongoing efforts towards the development of Islamic banking and promoting liquidity management for Islamic retail banks, the Central Bank of Bahrain (CBB) launched a Shari’ah compliant Wakalah liquidity management instrument. The current duration of the Wakalah is Overnight & One-Week which is available every Tuesday for Islamic retail banks.

The One Week Wakalah facility was launched in March 2015 and in May 2017 the CBB introduced Overnight Wakalah. This instrument, which was approved by the Shari’ah Board of the CBB, is aimed at absorbing excess liquidity of the local Islamic retail banks and place it with the central bank. The instrument has been developed, based on a standard contract of the International Islamic Financial Market (IIFM). Retail Islamic banks appoint the CBB as an agent (Wakil) to invest cash on behalf of the bank (Muwakkil). The Wakil will invest these funds in the investment portfolio allocated in advance, and contains Islamic Sukuk and BHD Cash.



This chart shows the Wakalah deposits received from retail Islamic banks for the One Week Wakalah which was launched in 2015 and for the Overnight Wakalah which was introduced in 2017.

Single binding Wa'ad for the Islamic retail banks

The Central Bank of Bahrain (CBB) has launched a new Shar'iah Compliant Foreign Exchange Forward as a Single binding Wa'ad based structure Facility. This tool, which was approved by the Shariah Board of the CBB, promotes Islamic finance in the Kingdom and enhances the Islamic banking sector's capacity by supporting them in managing their liquidity.

In Single binding Wa'ad, the CBB will be the promisor and promises to buy the Bahraini Dinar from the participating Islamic retail bank. In the event the Wa'ad is exercised, the execution and settlement will be on the future value date and at the exchange rate promised in advance. The current available tenors are one-week, one-month, three-months, six-months and twelve-months. The facility procedure involves two steps: the first step is a spot currency sale, where the CBB sells to the Islamic retail bank Bahraini Dinars against US Dollars on spot basis at 0.376. In the second step, CBB gives a Wa'ad (promise) to the Islamic retail bank to buy the Bahraini Dinars in a future date and at an agreed exchange rate. Finally, two working days prior to the Wa'ad Settlement Date (Exercise Date), the Islamic retail bank may exercise the Wa'ad by providing an "Exercise Notice Offering" to purchase the US Dollars from the CBB against the Bahraini Dinars.

This service is a new product in Islamic banking and proves Bahrain's ability to develop Shari'ah compliant tools according to market needs.

Conclusion

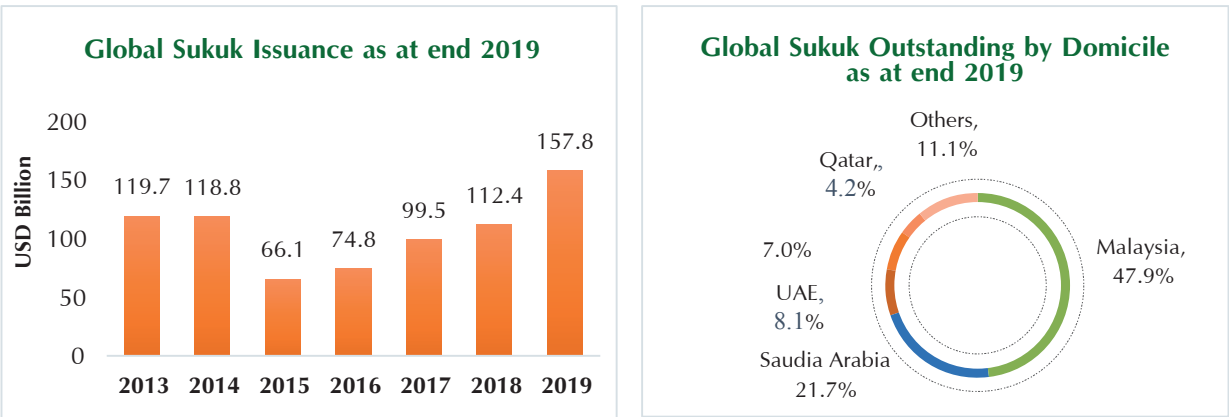
Although Bahrain's sovereign Sukuk issuances are meant primarily for the domestic market, the long track record and the high frequency of issuance make it among the active countries in this field. With nearly one-fifth of the Bahrain government's financing needs being met through Sukuk we can expect continued activity in the near to medium term future. Having a sophisticated Sukuk issuance program in place, the Kingdom serves as a role model for other countries which are entering this arena.

5.2 Sukuk Market Developments in Malaysia

By: Labuan Financial Services Authority (Labuan FSA)

Malaysia maintained its dominance in the global Sukuk market, constituting 47.9% of the global Sukuk outstanding, followed by Saudi Arabia (21.7%) as at end 2019. Malaysia has remained the key source of Sukuk supply in 2019. Increased volumes have been driven by Central Bank of Malaysia providing more short term Islamic Treasury Bills to aid liquidity management at Islamic financial institutions, and also by a surge in local currency corporate issuance.

Figure 1 : Global Sukuk Issuance and Global Sukuk Outstanding by Domicile

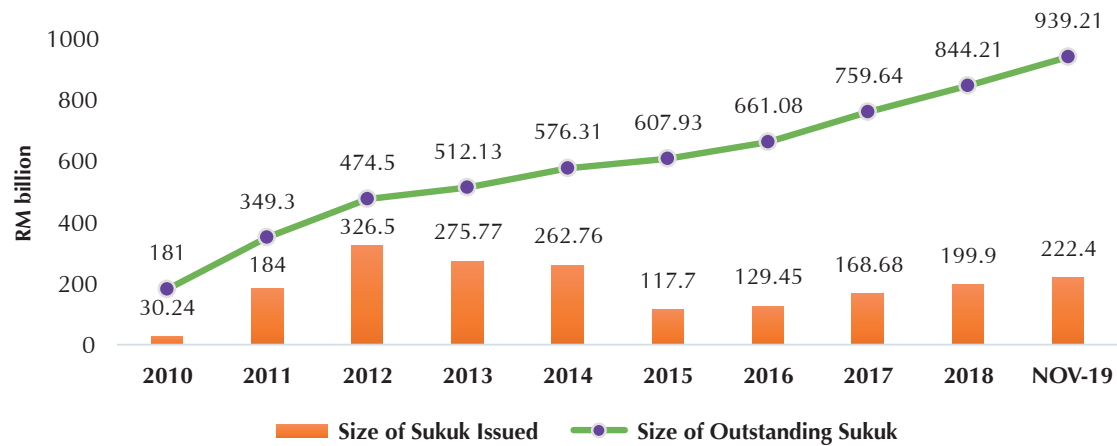


Source: Malaysia International Islamic Financial Centre (MIFC)

The domestic Sukuk market in Malaysia continues to serve as an important and attractive platform for government and corporate entities to raise long-term funds for various economic, business and infrastructure development needs. In the first half of 2019, Sukuk issuances by Government and corporates amounted to RM 136.95 billion, representing 63.35% of total bond issuances, compared with RM 99.36 billion in 1H2018. Total Sukuk outstanding amounted to RM 918.46 billion or 61.53% of total bonds outstanding, compared with RM 818.41 billion in 1H2018. Corporate Sukuk issuances represented 83.07% of total corporate bonds and Sukuk issuances while corporate Sukuk outstanding accounted for 78.12% of total corporate bonds and Sukuk outstanding. Corporate green SRI Sukuk outstanding amounted to RM 2.87 billion compared with RM 2.41 billion in 1H2018. As at October 2019, cumulatively, there have been ten SRI Sukuk with total issuances amounting to RM 4.3 billion. As at end of November 2019, corporate Sukuk outstanding reached RM 554.02 billion compared to that of conventional bonds at RM 146.38 billion, constituting 79.10% of total corporate bonds and Sukuk outstanding. The total issuance of corporate Sukuk amounted to RM 94.44 billion compared to that of conventional bonds at RM 26.15 billion. As at end of November 2019, total Sukuk outstanding amounted to RM 939.21 billion or 62.89% of total bonds and Sukuk outstanding while total Sukuk issuances by Government and corporates amounted to RM 222.40 billion.

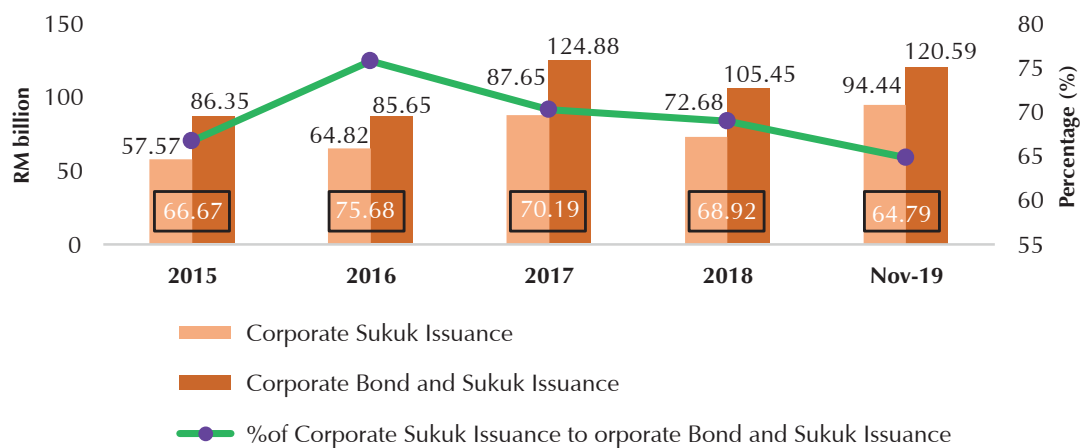
¹Sustainable and Responsible Investment

Figure 2 : Total Sukuk Issued and Total Sukuk Outstanding



Source: Malaysian ICM Bulletin

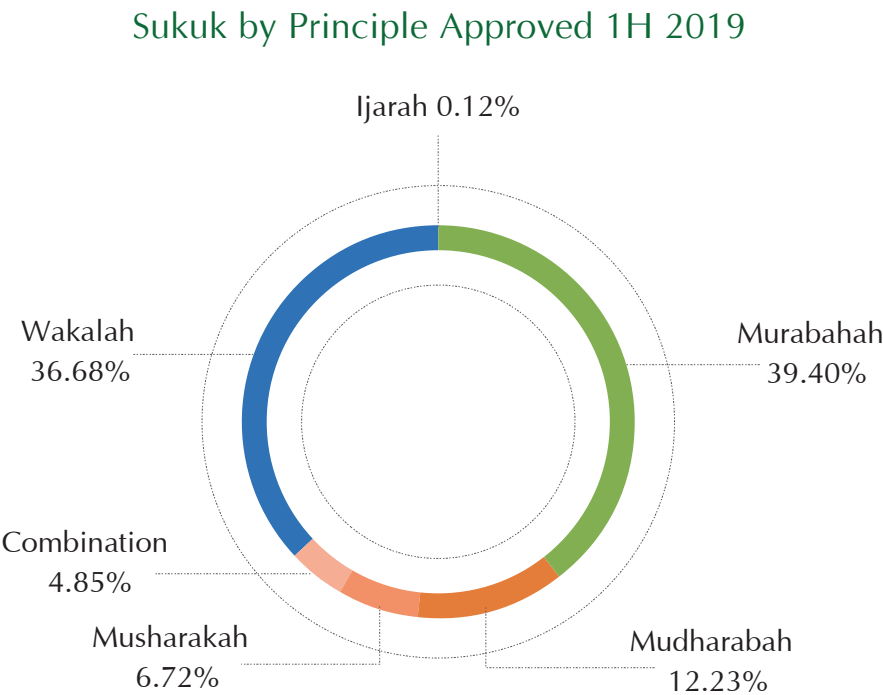
Figure 3 : Corporate Sukuk Issuance



Source: Malaysian ICM Bulletin

In Malaysia, the Sukuk market provides customised solutions to government and corporate issuers through a variety of Sukuk structures using different Islamic contracts such as Murabahah, Wakalah, Mudharabah, Musharakah or hybrid structures based on combinations of Shari’ah contracts. The Sukuk structures are backed by real economic activity and has the ability to tap a wider investor base from both Islamic and conventional spectrum including foreign investors. An increasing number of corporations, including foreign corporates also leverage on the strength of Malaysia’s Islamic capital market to issue regular short-term commercial papers to meet their on-going financing needs.

Figure 4 :Sukuk by Principle Approved in 1H 2019



Source: Malaysian ICM Bulletin

In November 2019, the Securities Commission (SC) in Malaysia launched the Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market (SRI Roadmap) which aims to create a facilitative SRI ecosystem and chart the role of the capital market in driving Malaysia’s sustainable development. The SRI Roadmap builds on the SC’s initiatives to strengthen Malaysia’s position as a regional leader in sustainable investment, which includes the SRI Sukuk Framework, first introduced in 2014 to facilitate the financing of initiatives that benefit the environment and society. One of the immediate initiatives rolled out under the SRI Roadmap is a revision of the SC’s SRI Sukuk Framework. The revised framework has expanded the list of eligible SRI projects, enhanced disclosure and reporting requirements, and clarified the role of external reviewer.

To promote SRI Sukuk issuances, incentives and grants were introduced to attract SRI Sukuk issuers including:

- (i) Tax deduction for the expenditure incurred on the issuance of SRI Sukuk approved or authorised by or lodged with the SC until the year of assessment 2023;
- (ii) Income tax exemption to the issuers of the Green SRI Sukuk grant for applications received by the SC from 1 January 2018 to 31 December 2020;
- (iii) Tax incentives for green technology activities in energy, transportation, building, waste management and supporting services activities; and
- (iv) Financing incentives under the Green Technology Financing Scheme (GTFS) with total funds allocation of RM 5 billion until 2022.

To cement its commitment to Islamic finance and increase the appeal of Sukuk issuance, Malaysia has taken further steps to encourage participation in the Islamic debt capital market, with the introduction of sustained incentives for issuance. Malaysia would extend tax breaks for additional expenditure incurred by the issuance of Sukuk for a further three years, taking effect from 2019, in order to promote Malaysia as the hub and pioneer of the bond and Sukuk markets.

To foster the secondary market development of Sukuk, Bursa Malaysia provides a listing platform for Sukuk denominated in ringgit and foreign currencies issued by local and international listed and non-listed entities under an “exempt regime” which does not provide for the paper to be quoted or traded over the exchange. The trading would occur on Over-the-Counter (OTC) basis. The listing of Sukuk promotes greater transparency and governance as the listed Sukuk would have higher visibility and transparency with disclosure of information being made to the Exchange and the public. The listing would also be useful for the profiling of the issuers to facilitate future fund-raising exercises by attracting investments from a wider segment of institutional and high net worth investors across the globe.

To further enhance the breadth and depth of investment options in the Malaysian capital market, Bursa Malaysia also offers Exchange Traded Bonds and Sukuk (ETBS) which are bonds and Sukuk listed and traded on the stock market.

Figure 5 : Sukuk listing under Bursa Malaysia as at June 2019

Exempt Regime	25
Exchange-Traded Bonds and Sukuk (ETBS)	2

Source: Malaysian ICM bulletin

Labuan IBFC as an attractive domicile for Sukuk issuance

The mid-shore jurisdiction of Malaysia, Labuan International Business and Financial Centre (Labuan IBFC) complements Malaysia in offering a conducive environment for Sukuk issuance. Labuan IBFC has a well developed legal, regulatory and Shari’ah framework that supports and accords certainty as well as integrity in Islamic financial transactions. In addition, Labuan IBFC offers fiscal incentives and a pool of Islamic finance talent in Sukuk structuring and distribution. In 2019, two Sukuk were issued out of Labuan IBFC amounting to USD 500 million based on the Shari’ah principle of Wakalah Bi Al-Istithmar.

As part of the efforts to promote more Sukuk issuances out of Labuan IBFC, Labuan Financial Services Authority (Labuan FSA) issued business guides on the benefits of Sukuk issuance out of the centre for Sukuk issuers and investors. The business guides highlight the conducive and flexible requirements for raising funds through Sukuk issuance under distinct Shari’ah principles in Labuan IBFC. This includes the issuance of Explanatory Note on Issuance and Subscription of Sukuk in Labuan IBFC and Guidance Note on Issuance of Sukuk Wakalah Bi Al-Istithmar in Labuan IBFC. In addition, the Guidance Note on Issuance of Aviation Sukuk as well as Green, Social and Sustainability (GSS) Sukuk will be issued in 2020 to enhance market awareness on the conducive environment in Labuan IBFC for Sukuk issuance to finance the aviation sector as well as environmentally friendly projects which are growing in prominence on the global front.

In Labuan IBFC, the Labuan International Financial Exchange (LFX) serves as a one-stop full-fledged financial exchange with a complete range of services from listing and trading to clearing and settlement of financial instruments including foreign currency denominated Sukuk. As at 31 December 2019, the number of Sukuk listed on LFX is 10, representing 36% of the total number of instruments listed on the exchange.

Figure 6 : Sukuk listing under Labuan International Financial Exchange (LFX) as at 31 December 2019

No.	Issuer Name	Currency (Size)	Issue Date	Maturity Date
1	Danga Capital Berhad (Khazanah) - Trust Certificates ^{ER}	SGD 900,000,000	12 Aug 2010	11 Aug 2020
2	Wakalah Global Sukuk Berhad - Series 2 - Trust Certificates ^{ER}	USD 800,000,000	7 Jul 2011	6 Jul 2021
3	PETRONAS Global Sukuk Ltd - Trust Certificates ^{ER}	USD 1,250,000,000	19 Mar 2015	18 Mar 2020
4	Malaysia Sovereign Sukuk Berhad - 3.043 per cent Trust Certificates ^{ER}	USD 1,000,000,000	23 Apr 2015	22 Apr 2025
5	Malaysia Sovereign Sukuk Berhad - 4.236 per cent Trust Certificates ^{ER}	USD 500,000,000	23 Apr 2015	22 Apr 2045
6	Danga Capital Berhad - Trust Certificates ^{ER}	USD 750,000,000	2 Mar 2016	1 Mar 2022
7	Malaysia Sukuk Global Berhad - Series 1 Trust Certificates ^{ER}	USD 1,000,000,000	28 Apr 2016	27 Apr 2026
8	Malaysia Sukuk Global Berhad - Series 2 Trust Certificates ^{ER}	USD 500,000,000	28 Apr 2016	27 Apr 2046
9	Cindai Capital Ltd – Cash-Settled Exchangeable Trust Certificates ^{ER}	USD 320,800,000	8 Feb 2018	8 Feb 2023
10	SD International Sukuk II Limited - Fixed Rate Senior Unsecured Trust Certificate	USD 300,000,000	12 Dec 2019	22 Nov 2024

^{ER} : This instrument is also listed on Exempt Regime platform Bursa Malaysia

Source: Bursa Malaysia - Labuan International Financial Exchange (LFX)

The progressive development of the Islamic financial ecosystem in Malaysia and Labuan IBFC contributes towards enhancing the dynamism of Sukuk in facilitating cross border financial flows, including in the sustainable finance space to achieve a more balanced, sustainable and inclusive growth for the global community.

5.3 Indonesia Sukuk Market: Sustaining Growth Through Innovation And Leading Initiatives

By: Bank Indonesia (BI)

I. Development of Indonesia Sovereign Sukuk (SBSN/Sukuk Negara)

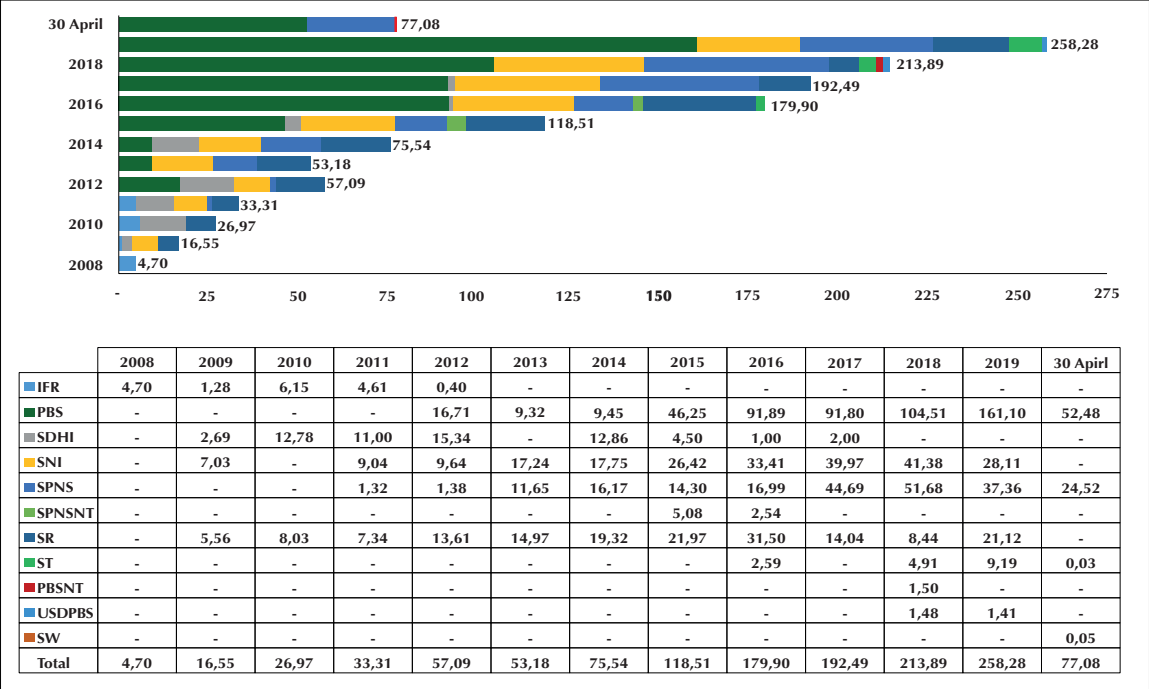
Since the enactment of Act Number 19 year 2008 on Sovereign Shari'ah Securities namely SBSN/Sukuk Negara, the issuance of SBSN/Sukuk Negara keeps increasing and has become one of the fiscal instruments to finance the government budget. There are various types and series of SBSN/Sukuk Negara being issued and each has unique characteristics, target of investors, and objectives. For examples, Hajj Fund Sukuk (SDHI) which is dedicated for hajj funds, Project-Based Sukuk (PBS) for long term projects financing, Retail Sukuk (SR) and Savings Sukuk (ST) for retail investors and Indonesia Global Sukuk (SNI) for international investors, etc.

Particularly, starting from the first SBSN/Sukuk Negara namely Islamic Fixed Rate (IFR), issued in 2008 and ending in 2012 with the total value around IDR 17 trillion (USD 1,14 billion), wide range varieties of SBSN/Sukuk Negara have been issued for examples; (i) Project-Based Sukuk (PBS) firstly issued in 2012, (ii) Hajj Fund Sukuk (SDHI), Indonesia Global Sukuk (SNI) and Retail Sukuk (SR) firstly issued in 2009, (iii) Islamic Treasury Bills (SPNS) issued in 2011 and Savings Sukuk (ST) issued in 2016. In 2020, the brand new SBSN/Sukuk Negara series is issued, namely Indonesia Waqf Sukuk (SW001), which is a very innovative SBSN/Sukuk Negara for social investment purposes.

In the end of 2019, the government of Indonesia (Ministry of Finance) has issued IDR 258.3 trillion worth of Sovereign Sukuk (SBSN/Sukuk Negara) with different contracts and denominations. It increased by 20.7% compared to the issuance in 2018 (valued IDR 213.9 trillion) and hence the total SBSN/Sukuk Negara issuances have reached IDR 1,230 trillion (USD 82 billion) since the first issuance in 2008 with different issuance methods (auction, book building, private placement). In addition, by the end of 2019, market share of SBSN/Sukuk Negara was 17.5% of the total government securities (see figure 1).

These figures show a strong commitment of the Indonesian government to keep inflating the Sukuk market. Particularly, it is because SBSN/Sukuk Negara has some important functions for example government project financing, reference for the corporate Sukuk and other types of non government securities and one of the instruments to deepen the Sukuk market.

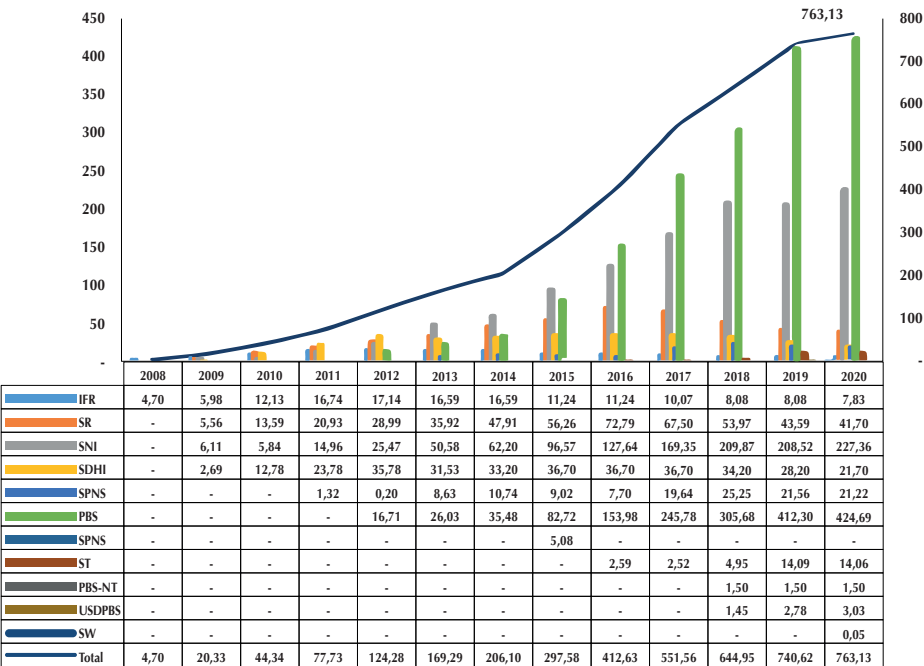
Figure 1: Annual Sukuk Issuance



Source: Ministry of Finance (2020)

Based on type of SBSN/Sukuk Negara, amongst the total of IDR 258 trillion Sukuk issued in 2019, it was composed of PBS (IDR 161.1 trillion), SPNS (IDR 37.36 trillion), SNI (IDR 28.11 trillion), Retail Sukuk (SR) (IDR 21.12 trillion) and Savings Sukuk (ST) (IDR 9.19 trillion). While the Sukuk Retail (SR) issuance was intended for shorter term financing and served the retail investors, PBS was issued for long term financing and served larger investors (see figure 2). PBS indeed indicated a continuous effort of the government to closing the infrastructure gap by providing adequate capital to infrastructure projects through an appropriate and Islamic financing instrument.

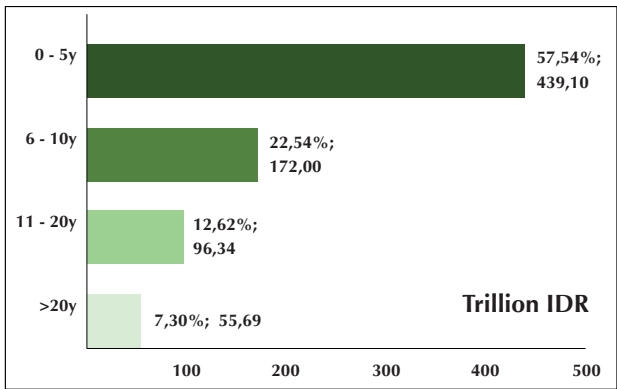
Figure 2: Total Outstanding of Sukuk Negara (SBSN/Sukuk Negara)



Source: Ministry of Finance (2020)

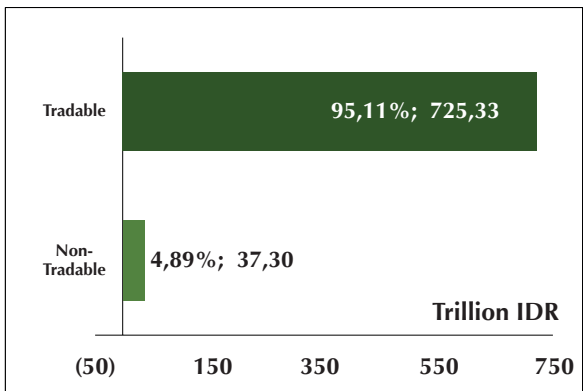
Furthermore, outstanding of SBSN/Sukuk Negara as of 30 April 2020 is IDR 763.13 trillion. Based on tenors, most of SBSN/Sukuk Negara (57%) are matured in less than 5 years followed by 22.5% of them are matured between 6 years to 10 years, 12.6% of them are matured between 11 years to 20 years and the longest one (7.3% of them) are matured more than 20 years from now (see figure 3). For the market trading purposes, most of SBSN/Sukuk Negara series (95%) are tradable ones while only 4.9% of them are non tradable such as SDHI (see figure 4). SBSN/Sukuk Negara is also available for the global investors as 30% of it is issued in USD denomination in the global Sukuk market while the rest (69%) are issued in rupiah denomination for the domestic market (see figure 5).

Figure 3: Tenors of SBSN/Sukuk Negara



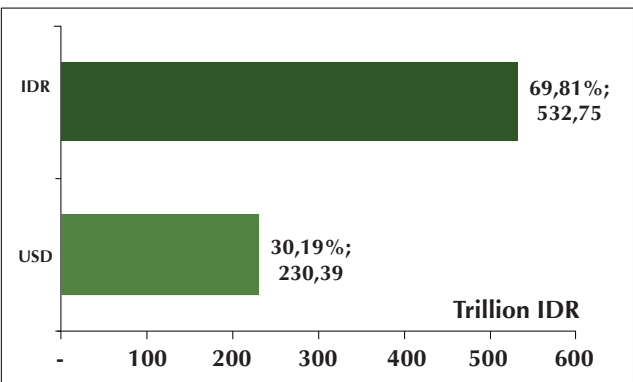
Source: Ministry of Finance (2020)

Figure 4: Tradability of SBSN/Sukuk Negara



Source: Ministry of Finance (2020)

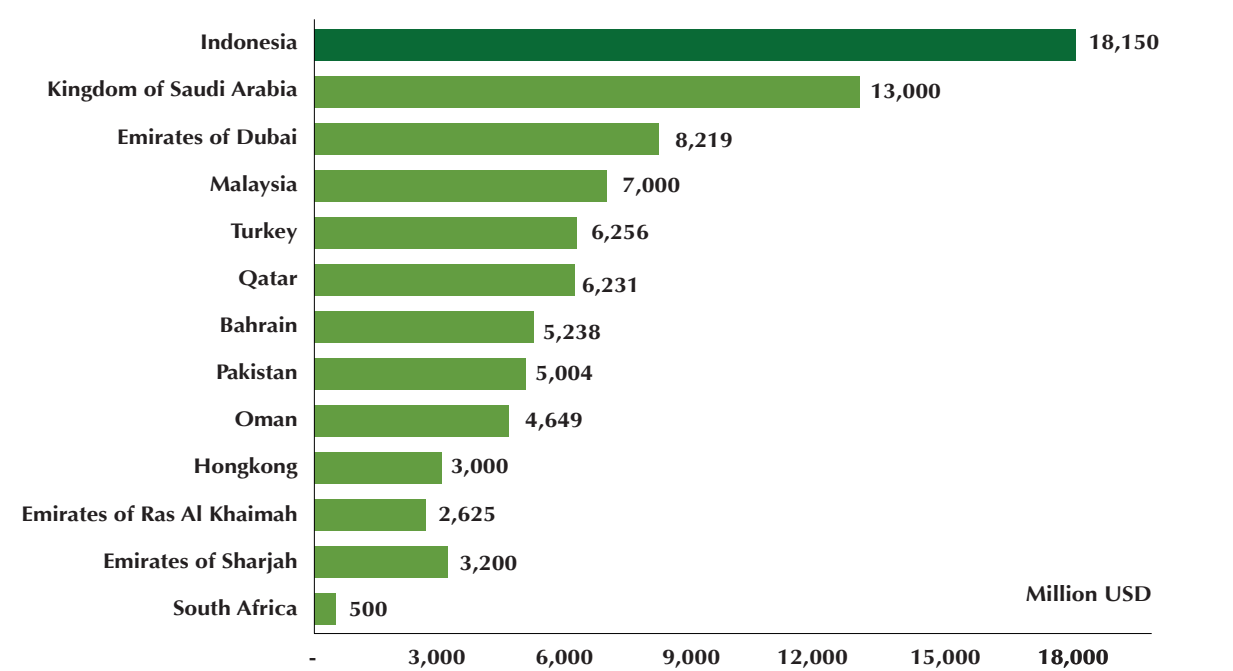
Figure 5: Currency Issuance of SBSN/Sukuk Negara



Source: Ministry of Finance (2020)

In the global market, Indonesia is considered as the world’s largest international sovereign Sukuk issuer (USD denominated) with total outstanding amounted USD 18.15 billion. Then, followed by global sovereign Sukuk of Saudi Arabia (USD 13 billion), Emirates of Dubai (USD 8.2 billion), Malaysian Government (USD 7 billion) and Turkish Government (USD 6.25 billion) (see figure 6).

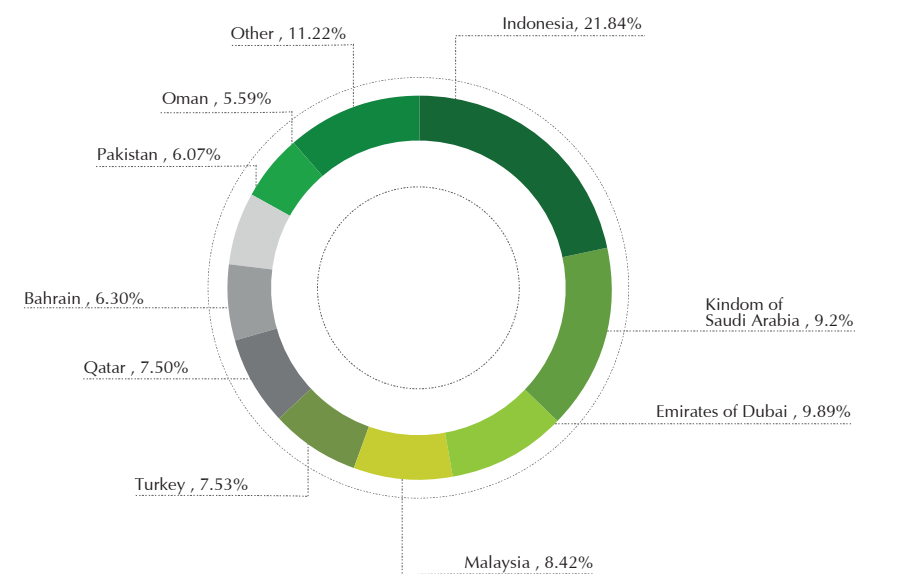
Figure 6: Top Sovereign Sukuk (USD denominated) in the World



Source: Ministry of Finance (2020)

It is obvious that the government of Indonesia Sukuk dominates 21.8% (the largest in the world) of the world international sovereign Sukuk (USD denominated), followed by Saudi Arabia (15.6%), Emirates of Dubai (9.9%), Malaysia (8.4%) and Turkey (7.5%) (see figure 7). In means that the Indonesia sovereign Sukuk chairs the global Sovereign Sukuk market and has successfully stood as the most favorite one among global Sukuk investors.

Figure 7: Market Share of Sovereign Sukuk (USD denominated) in the World



Source: Ministry of Finance (2020)

The involvement of the foreign investors is also proven in the increasing values of their investment. Per December 2019, investment of the foreign investors in domestic Indonesia sovereign *Sukuk* were recorded IDR 28.4 billion or 5.37% of the total investors. The largest investors were banks (both conventional and Islamic banks) amounted IDR 182 billion (34%) followed by Bank Indonesia (IDR 53.6 billion or 10% share) and insurance companies (IDR 52 billion or 9.8%) (see table 1).

Table 1: Sukuk Investors Composition

INSTITUTIONS	30-Apr-19		31-Dec-19		31-Mar-20		29-Apr-20	
	Billion	%	Billion	%	Billion	%	Billion	%
TRADABLE	437,509	91.86	485,534	91.73	478,152	92.50	495,442	92.74
Total Bank	202,744	42.57	182 444	34.47	183,369	35.47	193,058	36.14
Conventional Banks	162,277	34.07	145,680	27.52	151,796	29.36	159,887	29.93
Sharia Banks	40,467	8.50	36,764	6.95	31,573	6.11	33,171	6.21
Bank Indonesia	25 663	5.39	53,596	10.13	27,535	5.33	33,566	6.28
Insurance Company	49 294	10.35	52,027	9.83	53,121	10.28	68,033	12.73
Pension Fund	50014	10.50	57413	10.85	61,065	11.81	48,731	9.12
Individual	33 282	6.99	23,984	4.53	28,171	5.45	28,026	5.25
Mutual Fund	13,766	3.94	42 471	8.02	47,860	9.26	48,378	9.06
Non Resident	15,163	3.18	28 445	5.37	30,969	5.99	27,035	5.06
Others	42 583	8.94	45,153	8.53	46,061	8.91	48,614	9.10
NONTRADABLE	38,770	8.14	43,788	8.27	38,788	7.50	38,788	7.26
Public institution	29,197	6.13	28,197	5.33	23,197	4.49	23,197	4.34
Individual	8,073	1.70	14,091	2.66	14,091	2.73	14,091	2.64
Others	1,500	0.21	1,500	0.28	1,500	0.19	1,500	0.28
TOTAL	476,279	100	529,321	100	516,940	100	534,230	7.26
Note								
* In million Rupiah								
* Not included SUN Ownership								
Others consist of Corporate, Securities Company, Foundation, etc.								

Source: Ministry of Finance (2020)

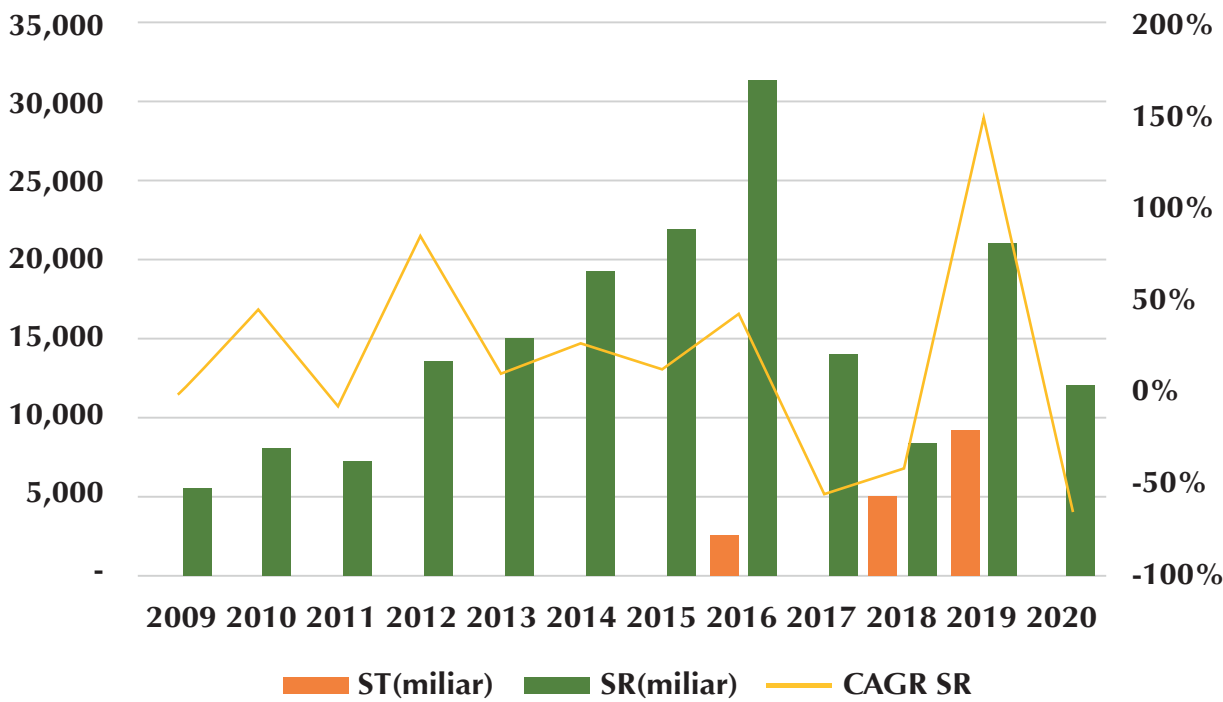
These facts reveal that SBSN/Sukuk Negara has successfully attracted an extensive range of investors (banks, insurance companies, pension funds, mutual funds and individuals) both Islamic and conventional ones, from domestic and international. A wide range of SBSN/Sukuk Negara also eases investors to choose the most preferable ones for their investment.

Further, taken into account an immense Muslim population with ever increasing revenues and higher awareness for Islamic lifestyle including Shari’ah compliant investment instrument, the Government of Indonesia has introduced two series of SBSN/Sukuk Negara destined to the retail investors namely the Retail Sukuk (Sukuk Ritel/SR) and Savings Sukuk (Sukuk Tabungan/ST) in 2009 and 2016 respectively.

The number of retail investors in these two types of SBSN/Sukuk Negara keep growing (see figure 8).

In fact, Retail Sukuk (SR) is a state guaranteed Sukuk specifically designed to fulfill mass retail public Muslim communities' who need Shari’ah compliant investment instruments. SR is issued in domestic (rupiah) denominations and matures in up to 3 years. Investors may start investing in SR from a very small amount of money which is IDR1 million (USD 60) and they love it because SR: (i) has a fixed rate of return, (ii) is tradable in the secondary market and, (iii) offers payment of regular coupon.

Figure 8: Sukuk Retail and Saving Sukuk Issuance



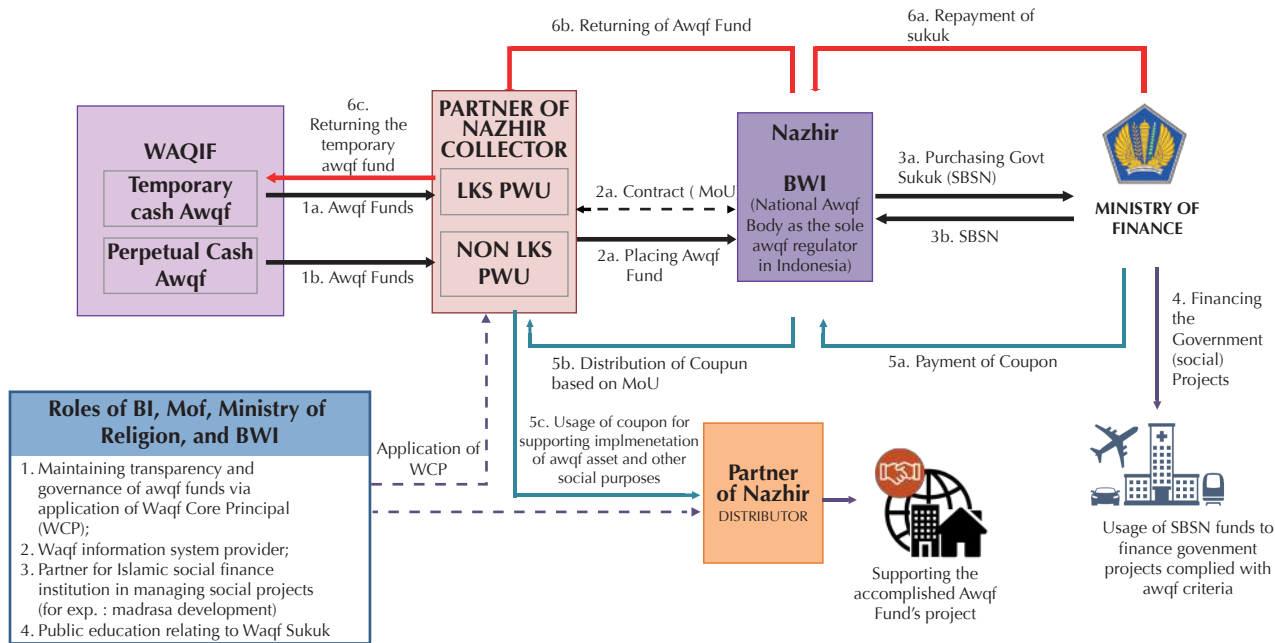
Source: Ministry of Finance (2020)

Since its first issuance in 2009, Sukuk Retail (SR) has grown exponentially from IDR 5.5 trillion in 2009 into more than IDR 20 trillion in 2019. SR dominates 8% of the total SBSN/Sukuk Negara issuance in 2019, accumulating more than IDR 160 trillion (USD 10 billions) of the public funds stretching within 10 years.

The other government's Sukuk instrument tailor-made for retail investors namely Savings Sukuk (Sukuk Tabungan/ST) was officially introduced in 2016. The Savings Sukuk offers a rather higher rate of return compared to saving deposits with its floating-with-floor scheme pegged to reference rate of return provided by Bank Indonesia. Even though ST is not tradable, the government provides an early redemption option after one year of holding period. Similar to Retail Sukuk, the Saving Sukuk is meant to be an affordable, alternative Shari'ah-compliant investment instrument for risk-averse small, retail, entry-level investors.

The Savings Sukuk (ST) also faces a promising growth due to its risk-free nature and lower engagement requirement. In its first issuance in 2016, ST has acquired more than IDR 2 trillion of public funds and thus the amount quadrupled to more than IDR 9.19 trillion in its 3rd series of issuance in 2019.

Figure 9: Cash-Waqf Linked Sukuk Program



The most recent innovation of SBSN/Sukuk Negara initiated by the government of Indonesia (Ministry of Finance and Ministry of Religious Affairs), The Indonesia Waqf Board (BWI) and Bank Indonesia was named Cash-Waqf Linked Sukuk (CWLS) program (see figure 9). CWLS program was formally launched in October 2018 and is considered as the first, one of its kind government of Indonesia Sukuk program combining Islamic social and commercial contracts to finance the public (socially driven) projects.

The CWLS is proceeded by Nadzhir (Waqf management entities) with the collection of Waqf (endowment) funds from the public (Waqf investors of Waqif) through the Islamic social finance framework by using the cash- Waqf contract. The proceeds of the fund will be used to purchase government Shari’ah securities (SBSN/Sukuk Negara Series SW-01) dedicated to finance such social projects (see figure 9).

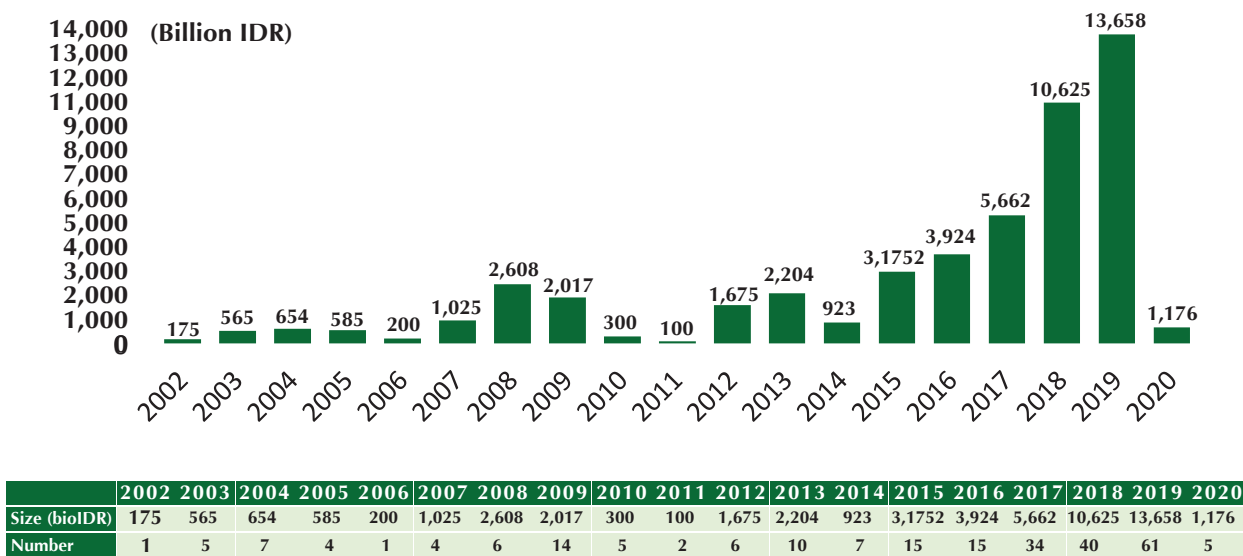
This new type of SBSN/Sukuk Negara (SW-001) issued for the first time in March 2020 amounted IDR 50.84 billion, with 5 years tenor, at discount, and periodic coupon payment. The discount is paid at the beginning period and will be used by Indonesia Waqaf Board (BWI) to develop new Waqaf assets which are renovation and purchase of medical devices to support the construction of the retina center at the Achmad Wardi Wakaf Hospital located in Serang, Banten Province. Meanwhile, coupons are paid monthly and will be used for free cataract surgery services for poor people in the same hospital, with a target number of poor people served for five years as many as 2,513 patients. This SW-001 issuance is expected to be able to integrate the Shari’ah social sector with the Shari’ah financial sector as well as to unleashed the enormous potential of Waqf in Indonesia.

In addition, to support Indonesian commitment to climate change policy, Indonesia has developed various innovative financial instruments such as Global Green Sukuk in 2018 (USD 1.25 billion) and 2019 (USD 750 million). The two issuances follow the Indonesia’s Green Bond and Green Sukuk Framework developed in 2017, with the support of HSBC and the UNDP. The framework received a Second Opinion Review by CICERO and signed as Medium Green shade. The issuance has widened and diversified the investor base by tapping global green investors (29%), as well as shown international’s trust in Indonesia’s commitment on climate action. Since 2018, the green Sukuk has been awarded 8 global awards. Additionally, in November 2019, Indonesia has issued a Savings Retail Sukuk, ST006 series, which is a green Sukuk issued and sold to individual Indonesian citizens in domestic retail market through online platform. This green Sukuk are in accordance to the Indonesia’s Green Bond and Green Sukuk Framework and Gol intends to disclose its allocation and impacts in future reporting.

II. Development of Corporate Sukuk

As the government Sukuk (SBSN/Sukuk Negara) continue to progress, the corporate Sukuk also keeps advancing with regular (yearly) positive growth. In 2019 period, there were 61 corporate Sukuk issuances valued at IDR 13.6 trillion amounting IDR 51.79 trillion since the first issuance of corporate Sukuk in 2002. Compared to the 2018 number of issuances, the corporate Sukuk issuances in 2019 exhibited a compelling increase of 51%, inflating from 40 to 61 number of issuances.

Figure 10: Corporate Sukuk Issuances



Source: Ministry of Finance (2020)

In terms of value, the total values of corporate Sukuk grow 30% from IDR 10.6 trillion to IDR 13.6 trillion (end of 2019). These figures expressed a growing interest of the industries and market players (both conventional and Islamic ones) to consider corporate Sukuk as the promising Islamic Investment alternative. It may provide not only capital (for the issuers) but also diversification of portfolio investment (for the investors) (see figure 10).

Despite a less domination of corporate Sukuk in the domestic Sukuk market, the number of issuances keep increasing. At least, from 2014 into 2019, the issuances of corporate Sukuk have grown tremendously from IDR 923 billion in 2014 (coming from only 7 issuers) to IDR 13.6 trillion in 2019 (coming from 61 issuers). These figures explain that:

- a. Corporate Sukuk receives more interest from domestic corporates. There are corporates like banks, retail companies, state owned companies, agriculture companies, etc which have issued corporate *Sukuk*.
- b. Corporate Sukuk is very prospective as the other segment (besides SBSN / *Sukuk Negara*) of Sukuk to complement the raise of the Indonesia Sukuk market both nationally and globally.
- c. More potential corporate *Sukuk* issuers need to be invited such as municipal governments, industrial based companies, fintech companies, etc.

III. Conclusion

To conclude, the Indonesia Sukuk Market continuously shows a very promising performances driven by stable domestic economic condition, relatively stable political and social environment and supportive regulators and market players in general. Even, taken into account that Indonesia has lead the global sovereign (USD denominated) Sukuk, other countries may follow the government of Indonesia programs, initiatives and models of Sukuk to vary their types of Sukuk issuances.

Government of Indonesia has a strong commitment towards innovative financing instrument. The issuance of the Green Sukuk have been followed with retail offerings of Green Sukuk domestically, signaling an even stronger commitment and awareness against climate change and supporting the path of sustainability. Also, the recent innovative programs, such as the issuance of Waqf Sukuk (CWLS) serves several objectives i.e. as an implementation of Islamic Social Finance and as an alternative instrument to finance the public (socially driven) projects in Indonesia.

For the next years to come, the government, regulators and all related parties have committed to deepen the Indonesia Sukuk market by increasing the number of Sukuk issuances, trading activities in the markets, complementing the regulations and infrastructure and using Sukuk as the most preferable Islamic instrument to finance the public projects.

5.4 Brunei Darussalam Sukuk Market Development

By: Autoriti Monetari Brunei Darussalam (AMBD)

Overview

1. DATA OF SUKUK ISSUANCE

a. Sovereign Sukuk

As at 31st December 2019 the Brunei Government has issued over BND 13.34 billion worth of short-term Sukuk Al-Ijarah securities since its maiden offering on April 6, 2006.

The Government of Brunei Darussalam through its agent, Autoriti Monetari Brunei Darussalam (AMBD), issues the following for the period of January 2019 to December 2019:

YEAR	SERIES	ISSUANCE DATE	TENOR (DAYS)	MATURITY DATE	TOTAL (BND)	RENTAL YIELD
2019	SERIES 165	10-Jan-19	91	11-Apr-19	100,000,000.00	1.5625
	SERIES 166	07-Feb-19	91	09-May-19	100,000,000.00	1.6875
	SERIES 167	07-Mar-19	364	05-Mar-20	24,500,000.00	1.8125
	SERIES 168	11-Apr-19	91	11-Jul-19	100,000,000.00	1.6250
	SERIES 169	09-May-19	91	08-Aug-19	100,000,000.00	1.6875
	SERIES 170	20-Jun-19	364	18-Jun-20	50,000,000.00	1.6250
	SERIES 171	11-Jul-19	91	10-Oct-19	100,000,000.00	1.6250
	SERIES 172	08-Aug-19	91	07-Nov-19	100,000,000.00	1.3750
	SERIES 173	05-Sep-19	364	03-Sep-20	34,100,000.00	1.6250
	SERIES 174	10-Oct-19	91	09-Jan-20	100,000,000.00	1.3750
	SERIES 175	7-Nov-19	91	06-Feb-20	100,000,000.00	1.4375
	SERIES 176	5-Dec-19	364	03-Dec-20	26,000,000.00	1.1250

BND 1 = USD 0.73

b. Quasi-Sovereign Sukuk

There were no Quasi-Sovereign Sukuk being issued during the period of January 2019 to December 2019.

c. Corporate Sukuk

There were no corporate Sukuk being issued during the period of January 2019 to December 2019.

d. Secondary Market Trading

There was one secondary market activity recorded in the same year.

2. LEGAL AND REGULATORY FRAMEWORK FOR SUKUK IN BRUNEI DARUSSALAM

The capital market industry in Brunei Darussalam is governed by the Securities Markets Order, 2013 (SMO) and the Securities Markets Regulations, 2015 (SMR) which are administered by AMBD.

The SMO and SMR provide the legal and regulatory framework for the licensing and supervision of market operators such as securities exchanges, clearing house, trading facilities, credit rating agencies, capital market intermediaries such as dealers, fund managers, investment advisers, securities products and collective investment schemes.

Prior to any issuance of investment instruments or securities in Brunei Darussalam by way of a public offering, a registration statement and prospectus are required to be issued in the form and manner set out in the SMO and SMR.

Additionally, Islamic securities or financial products including Sukuk are regulated under the Syariah Financial Supervisory Board Order, 2006 (SFSBO). Under the SFSBO, Islamic securities or financial products are required to be submitted to the Syariah Financial Supervisory Board (SFSB) for approval. The SFSB acts as the final authority for the interpretation of the Laws of Islam for the purposes of any Islamic financial activities that are based on Syariah principles, including Islamic banking business, Takaful, and Islamic capital markets.

3. MOVING FORWARD

AMBD is currently working on developing further the domestic money market, both the conventional and Islamic money market and will include issuing shorter tenor Sukuk. This project will provide benchmark rates for the shorter end of the yield curve.

5.5 Sukuk Market Developments in Turkey

By: the Capital Markets Board of Turkey

Interest free Islamic financial products are regulated by four dedicated regulators in Turkey. Shares, Sukuk, interest free funds and real estate certificates are regulated by the Capital Markets Board of Turkey (CMB). Sovereign Sukuks, on the other hand, are under the control and regulations of the Ministry of Treasury and Finance (MTF). While Islamic Banks (or Participation Banks under Turkish legislation) are regulated by Banking Regulation and Supervision Agency, those Participation Banks are also subject to the rules and regulations of the Central Bank of Turkey.

In order to improve the investor base and increase the variety of instruments in Turkey’s capital market, “lease certificate¹ (Sukuk)” has been designed in line with the international standards and global best practices. Following its introduction in 2010, Turkey’s Sukuk Market, has demonstrated promising development process thanks to its unique characteristics as providing interest free investment opportunities. In recent years, Turkey has carried out numerous key reforms in capital markets in order to enhance its financial infrastructure and increase the diversity of financial products and services. Within that perspective, under the Istanbul Financial Center Action Plan there is a national initiative aiming to develop the securities market in Turkey, including Islamic capital markets.

In order to support the regulatory framework for corporate Sukuks, some major challenges have been achieved in the last decade. When the first Sukuk regulation was introduced in 2010, it was basically designed to enable interest free financing and investment in the form of a leasing (Ijarah) transaction. Then in 2011, tax inequalities on Ijarah Sukuk compared to conventional products were solved. And finally, Sukuk regulations currently in force have been published under the Capital Market Law (CML) in 2012. The regulation on Sukuk has been entirely renewed² in June 2013 after the enactment of the new Capital Market Law. The new regulation has extended the scope of underlying assets to all kinds of rights and assets and introduced five more internationally well known Sukuk structures (which are Wakalah, Murabahah, Mudarabah, Musharakah and Istisna’a) to enable greater product diversity.

In order to make Sukuk issues more accessible, in 2016, tax and fee exemptions were extended with a legal amendment to cover all lease certificates. Also in 2016, in order to promote the companies’ access to finance and cushion their financial costs, CMB has made fifty per cent discount for the registration fees it imposed for capital market instrument issuances, including Sukuk.

In line with effective, reliable and flexible regulatory framework, the volume of Sukuk issues has reached significant levels. Following the tax exemptions and the discount on the CMB registration fees, some advance have been observed in the lease certificate (Sukuk) issuances by the private sector since 2017. Within that perspective, Table 1 displays this development trend at Turkey’s corporate Sukuk market.

Table 1. Corporate Sukuk Issuances (2014-2019)

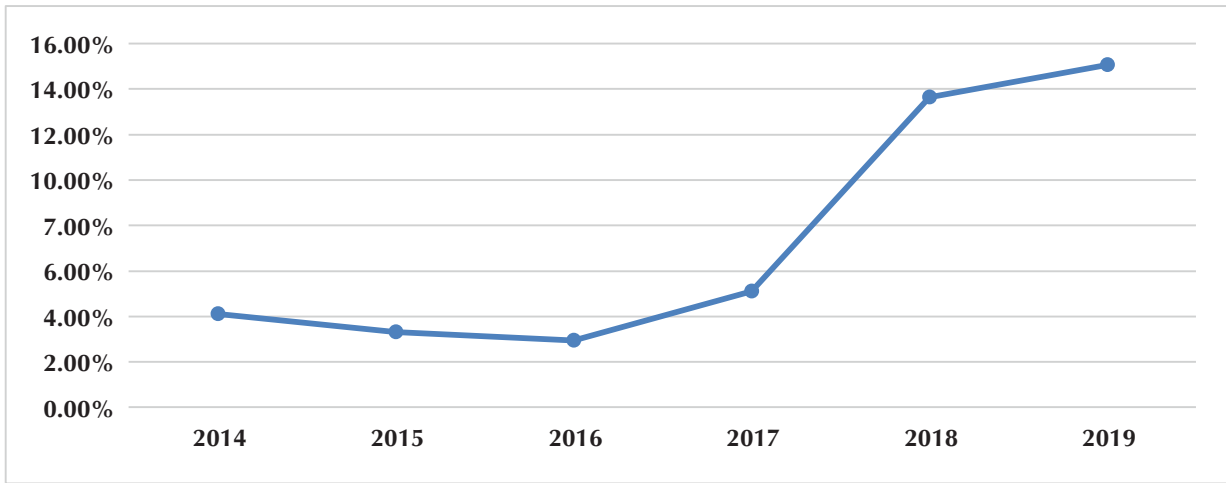
(USD Million)	2014	2015	2016	2017	2018	2019
Lease Certificates (LC)	2 074	1 250	973	2 210	4 717	7 758
Debt Securities (DS)	50 482	37 706	33 019	43 311	34 551	51 494
LC / DS (%)	4.11 %	3.31 %	2.95 %	5.10 %	13.29 %	15.06 %

Source: CMB Turkey

¹Sukuks are introduced and defined as “lease certificates” in our jurisdiction.
²For further regulations introduced by the CML in 2012, please see Turkey’s Country Focus for the IIFM Annual Sukuk Report 2017.

In terms of issuances by years, as shown in Figure 1, the ratio of lease certificates to conventional debt securities has considerably soared in the last three years and reached to record high level (15.06 %) in 2019.

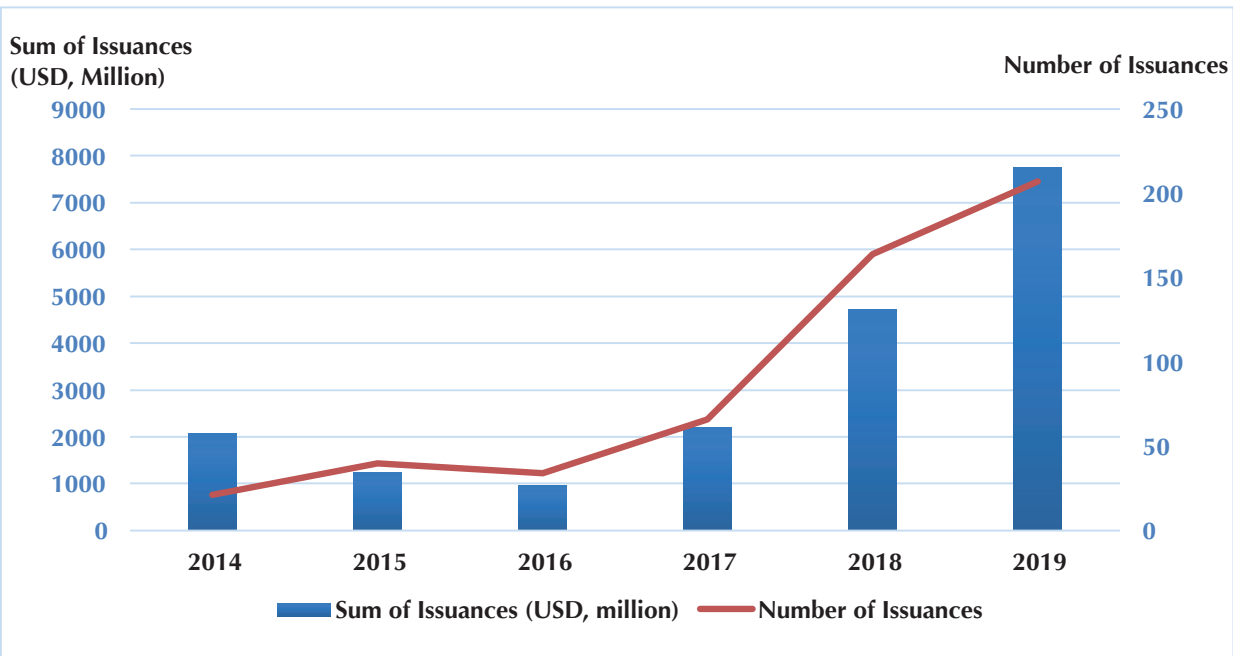
Figure 1. Rate of Sukuk to Conventional Debt Securities in Turkey (2014-2019)



Source: CMB Turkey

On the other hand, according to issuance data, the private sector conducted 532 Sukuk issuances between 2014 and 2019. Figure 2 displays this upward trend at the Sukuk market mainly for the years 2018 and 2019. Hence, when it is compared with 2017 market statistics, Turkey’s corporate Sukuk market has grown more than three times in the last two years.

Figure 2. The Volume of Sukuk Issuances by the Private Sector (2014-2019)



Source: CMB Turkey

Table 3. Overall Sukuk Issuances by the Private Sector (2014-2019)

Overall Sukuk Issuances	2014	2015	2016	2017	2018	2019
Number of Issuances	21	40	34	66	164	207
Sum of Issuances (USD, million)	2 075	1 251	974	2 211	4 717	7 759

Source: CMB Turkey

Similar to conventional debt securities market in Turkey, corporate Sukuk market is also dominated by the financial sector, mainly the Participation (Islamic) Banks. Participation Banks account for roughly 90% of all private Sukuk issuances. Out of the 532, only 21 were non-financial corporate issues.

Rather than cross border issuances, Sukuk are intensively introduced for local investors in recent years. According to Table 4, “qualified investors” have been receiving the lion’s share at the corporate Sukuk market. It can also be asserted that Sukuk have gradually been attracting retail investors in Turkey. As being the second type of Sukuk sale, public offerings have also been applied quiet moderately.

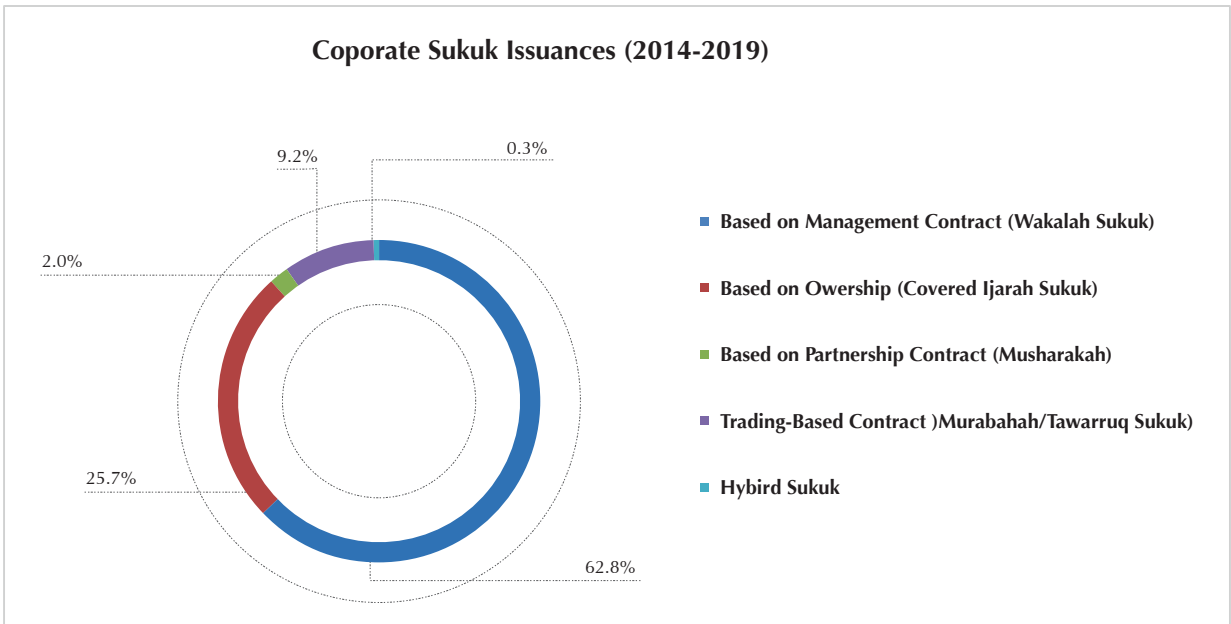
Table 4. Sale Methods for Corporate Sukuk by Years (2014-2019)

Type of Sale	2014	2015	2016	2017	2018	2019
Public Offering	103	236	213	232	650	1 296
Sale to Qualified Investors	350	542	761	1 583	3 614	6 098
Private Placement	44	203	0	278	363	366
Cross Border Issuances	1 579	270	0	118	90	0
Aggregate Volume	2 075	1 251	974	2 211	4 717	7 760

Source: CMB Turkey

As for the structure of the corporate Sukuk in Turkey, they are generally based on ownership (Ijarah), trading (Murabahah) and management contracts (Wakalah) whereas the underlying assets of these Sukuk issuances are largely real estates, commodities listed at London Commodity Exchange or Bursa Suq-al-Sila and bank receivables or loans respectively. Figure 3 depicts that “Wakalah Sukuk” dominates the market with a presence of 62,8 per cent among total issuances. “Ijarah” (25,7%) and “Murabahah Sukuks” (9,2%) are the second and third types of Sukuk which are less frequently applied by the private sector.

Figure 3. Types of Corporate Sukuk (2014-2019)



Source: CMB Turkey

In line with the CMB regulations, when Sukuk is offered to public it needs to be listed at Borsa Istanbul. Secondary trading of Sukuk in Turkey is mostly dominated by sovereign issues. For corporate Sukuk, preferences of retail investors may be mentioned as a disadvantage for second hand transactions as they hold Sukuk usually till the maturity.

Clearing, settlement and registration functions are operated by the Central Securities Depository of Turkey and Takasbank under the surveillance of the CMB provide sound infrastructure for Sukuk transactions and also supply a credible Sukuk database to Borsa Istanbul for the secondary market activities.

Meanwhile, some significant steps have been taken to introduce Turkish Sukuk market for international issuers in recent years. Sukuk issued by the Islamic Development Bank (IsDB) has been listed in Borsa Istanbul in 2016. IsDB has issued Sukuk which is already traded at London, Dubai and Malaysia. IsDB’s listing has been an important landmark as it highlights Istanbul Sukuk Market.

Sovereign Sukuk in Turkey³

In 2016 the Ministry of Treasury and Finance (MTF) issued first longer term (5 year) maturity Sukuk in order to enhance liquidity and provide benchmark yield curve. Again in 2016, another important Sukuk issuance took place, 5 year Consumer Price Index (CPI) linked Sukuk sold to domestic market for the same goal. Subsequently, gold denominated Ijarah Sukuk was introduced in 2017 by the MTF with the aim of bringing idle gold into the economy. The MTF raised 2.5 tons of gold in 2018 and 65,5 tons of gold in 2019 from the public with its gold-based lease certificates. In addition, the MTF also issued foreign currency (mainly the Euro) based lease certificates (Euro 0,56; Euro 3,7 billion;) and Turkish lira (TRY) based lease certificates (TRY 7,2 billion; TRY 7,6 billion) respectively in 2018 and 2019. Among those which are issued in 2019, TRY based lease certificates have longer maturities (from 2 to 5 years) than foreign currency and/or gold based lease certificates that have maturities from 1 to 3 years.

³Sovereign Sukuk data provided here is gathered from the Ministry of Treasury and Finance of Turkey.

5.6 Sukuk Market in Pakistan

By: State Bank of Pakistan (SBP)

1.Overview

Pakistan joined the global Sukuk market with issuance of its first international sovereign Sukuk of USD 600 million in 2005 and first domestic Sukuk in 2006. Since then four international Sukuk amounting to USD 3.6 billion and 121 domestic Sukuk amounting to Rupees (Rs) 1463.96 billion have been issued.

2. Overall Domestic Sukuk Market

Overall 121 Sukuk have been issued in the domestic market by December 31, 2019. Nineteen (19) of these are Government of Pakistan (GoP) Sukuk while remaining 102 have been issued by corporate or quasi-sovereign entities. Major investors in Sukuk are the commercial banks, mutual funds, employees funds and other financial institutions. These Sukuk are mostly privately placed, though, few corporate Sukuk (around 12%) have also been listed at the stock exchange (Table 1).

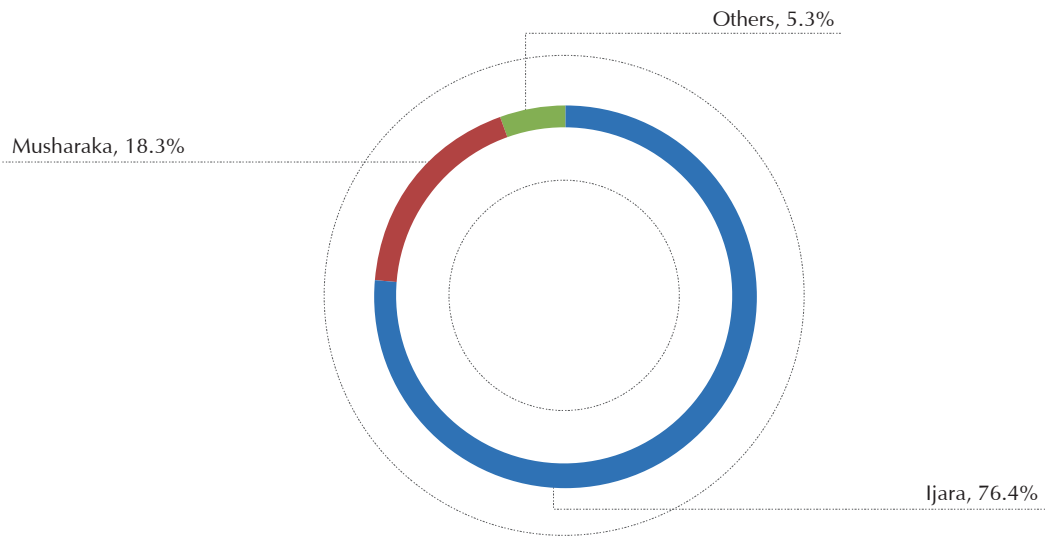
Table 1: Status wise Sukuk issuance in Pakistan

Listing Status	Number of issues	Amount in billion Rs
Privately Placed	107	1388.78
Listed	14	75.18
Total	121	1463.96

a) Mode Wise Break-up of Sukuk

In terms of Sukuk structure, the most widely used structure in domestic Sukuk market is Musharakah (62 issues) followed by Ijarah (30 issues). However, in terms of value, Ijarah dominates the Sukuk market with 76.4% value of total Sukuk issuances (Figure 1). The main reason of Ijarah Sukuk having a major share in the overall market is that all GoP Sukuk are Ijarah based which are generally of larger value compared to other Sukuk issued in Pakistan.

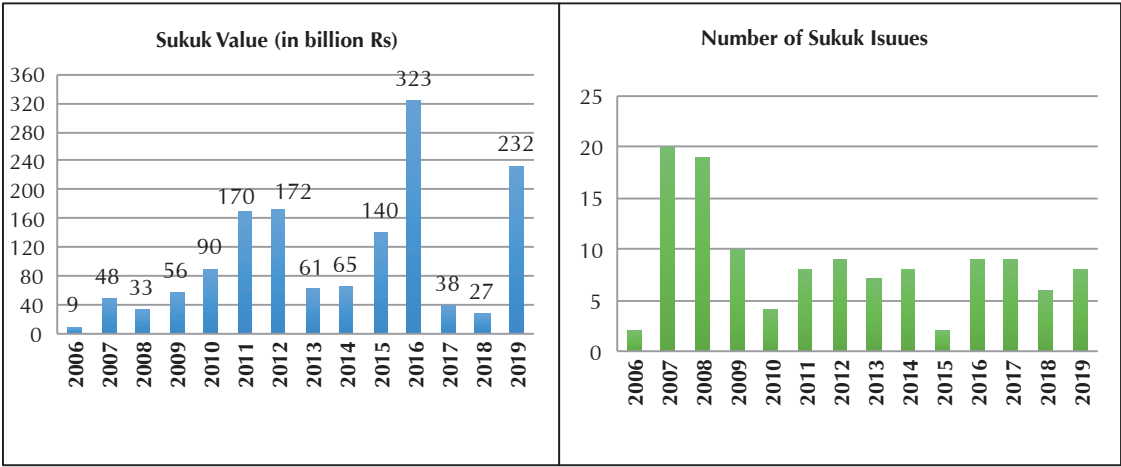
Figure 4: Mode wise Breakup of Domestic Sukuk (with regard to value)



b) Chronological Development of Pakistan Sukuk Market

Since its entry in domestic Sukuk market in 2006, Pakistan has issued 121 Sukuk valuing Rs 1463.96 billion; during 2019, eight Sukuk were issued in total valuing Rs 232.45 billion. Growth in all these years in terms of value followed a mixed trend, where significant growth was observed during 2010-12, 2015-16, and in 2019. The growth during these periods can be mainly associated with GoP Sukuk except for 2019 as the high growth in this period can be linked to quasi-sovereign Sukuk of Rs 200 billion (Figure 2). In terms of number, 2017 & 2018 witnessed highest number of issues.

Figure 2: Year Wise Domestic Sukuk Summary



c) Entity Wise Sukuk Issuance

Entity wise distribution analysis reveals that corporate Sukuk had major share in total Sukuk issuances in Pakistan till 2009 when a structural shift from corporate to sovereign Sukuk took place. Corporate Sukuk issuances declined while GoP Sukuk have managed a rise in their share since then. As of December 2019, share of quasi-sovereign improved considerably arriving at 28.1% due to issuance of Pakistan Energy Sukuk of Rs 200 billion during the period, whereas the share of sovereign Sukuk declined to 59.1% in total value of Sukuk issued in the country. The share of corporate Sukuk reached at 12.7%, showing slight improvement from last year's share of 12.5% (Table 2).

Table 2: Entity wise & Year wise Breakup of Sukuk (cumulative as of end year in percent)

Year	Corporate	Sovereign	Quasi-Sovereign
2006	7.2	0.0	92.8
2007	55.5	0.0	44.5
2008	48.6	14.0	37.4
2009	43.3	29.0	27.7
2010	27.1	55.7	17.2
2011	15.9	72.7	11.4
2012	11.5	79.3	9.2
2013	10.7	78.5	10.8
2014	11.0	78.3	10.7
2015	9.2	79.3	11.5
2016	8.9	74.2	16.9
2017	10.5	71.9	17.6
2018	12.5	70.3	17.2
2019	12.7	59.1	28.1

i. Sovereign Sukuk

Pakistan Domestic Sukuk Company Limited (PDSCCL), a public sector company, has been issuing GoP Sukuk in the domestic market since 2008 and all of these Sukuk have been issued on the basis of Ijarah. Since issuance of first GoP Ijarah Sukuk, there have been 19 issues in total. Out of these, 16 Sukuk valuing around Rs 669 billion were on the basis of variable rental rate (Table 3), while three GoP Sukuk amounting to around Rs 268 billion were issued on the basis of fixed rental rate. All variable rental rate and two of the fixed rental based Sukuk have matured till date (Table 4).

Table 3: Summary of 3 Years Ijarah Sukuk by the Government of Pakistan (Variable Rental Rate)

Issue	Issue Date	Amount of Sukuk (Rs in millions)
GOP Ijarah Sukuk - 1	26/09/2008	6,522.50
GOP Ijarah Sukuk - 2	29/12/2008	6,000.00
GOP Ijarah Sukuk - 3	11/03/2009	15,325.00
GOP Ijarah Sukuk - 4	17/09/2009	14,396.00
GOP Ijarah Sukuk - 5	15/11/2010	51,837.00
GOP Ijarah Sukuk - 6	20/12/2010	37,174.00
GOP Ijarah Sukuk - 7	07/03/2011	47,539.70
GOP Ijarah Sukuk - 8	16/05/2011	45,803.70
GOP Ijarah Sukuk - 9	26/12/2011	70,269.10
GOP Ijarah Sukuk - 10	02/03/2012	38,123.90
GOP Ijarah Sukuk - 11	30/04/2012	29,632.00
GOP Ijarah Sukuk - 12	28/06/2012	48,765.80
GOP Ijarah Sukuk - 13	18/09/2012	47,017.80
GOP Ijarah Sukuk - 14	28/03/2013	43,018.00
GOP Ijarah Sukuk - 15	25/06/2014	49,537.00
GOP Ijarah Sukuk – 16	18/12/2015	117,723.00
Total Value		668,684.50
Total Outstanding		0.00

Table 4: Domestic Ijarah Sukuk by the Government of Pakistan (Fixed Rental Rate)

Auction	Issue Date	Amount of Sukuk (in million Rs)
GISF-1	15/02/2016	116,256.70
GISF-2	29/03/2016	80,400.00
GISF-3	30/06/2017	71,007.00
Total		267,663.70

ii. Corporate Sukuk

Corporate Sukuk have witnessed decline in issuance size since 2008. The cumulative value of 101 corporate Sukuk, issued till end December 2019, amounted to Rs 383.62 billion (Table 5). In 2019, seven corporate Sukuk worth around Rs 32.45 billion have been issued.

Table 5: Cumulative Year wise Domestic (Pakistan) Corporate Sukuk Summary

Year	Amount (Rs in millions)	No of Issues
2006	8,625	2
2007	48,055	20
2008	20,563	17
2009	26,178	8
2010	80,00	2
2011	64,00	5
2012	88,79	5
2013	18,000	6
2014	15,200	7
2015	22,000	1
2016	126,172	7
2017	23,068	8
2018	27,230	6
2019	32,450	7
Total	383,620	101

3. International Sukuk by the Government of Pakistan

Since the first issuance in 2005, Pakistan has so far issued four international Sukuk worth USD 3.6 billion (Table 6). These international Sukuk were issued for the period of five years each and attracted positive response from investors. Two of these four international Sukuk have matured till date.

Table 6: International Sukuk by the Government of Pakistan

Auction	Issue Date	Maturity Date	Amount of Sukuk
Pakistan First International Sukuk	Jan-05	Jan-10	USD 600 million
Pakistan Second International Sukuk	Nov-14	Nov-19	USD 1,000 million
Pakistan Third International Sukuk	Oct-16	Oct-21	USD 1,000 million
Pakistan Fourth International Sukuk	Nov-17	Nov-22	USD 1,000 million

4. Regulatory Framework Governing issuance of Sukuk

Sukuk being instrument of redeemable capital are issued by the companies either by way of public offering or by way of private placement under section 66 of the Companies Act, 2017. Sukuk are issued in Pakistan's capital market for the last many years mainly through private placement. Major investors in Sukuk are the commercial banks both conventional and Islamic, non-bank financial companies, insurance companies, mutual funds, employees funds and other corporates. For private placement of Sukuk, approval of Securities and Exchange Commission of Pakistan (SECP) is not required, however, the issuers are required to comply with the Sukuk (Privately Placed) Regulations, 2017 and the Private Placement of Securities Rules, 2017. For public offering of Sukuk, the issuer is required to obtain approval of SECP for issue circulation and publication of the prospectus.

5. Future Prospects

The ability of Sukuk to serve as an effective liquidity management tool apart from performing important role in overall development of economy makes it useful for an emerging economy like Pakistan. Sukuk market in Pakistan provides opportunity for both government and corporate entities to raise funds in a Shari’ah compliant manner especially in the wake of the mega development projects going on in the country and activities under the China-Pakistan Economic Corridor (CPEC). Being an emerging economy, Pakistan’s huge infrastructural needs require consistent investments from both domestic and foreign investors. Sukuk, as an effective investment instrument, can play an important role in financing various infrastructure projects and developmental needs of the country.

CONCLUSION

OF IIFM SUKUK REPORT 2019

The global Sukuk market maintained its attractiveness for both issuers and investors as evident from the record increase in *Sukuk* volume in domestic issuances as well as International *Sukuk* issuances despite relatively substantial maturities during 2019.

As the case in previous year, the key drivers of the *Sukuk* market during the year with issuances from well established jurisdictions, entry of several new issuers, issuance of Tier 1 and Tier 2 Sukuk (Basel III compliant *Sukuk*), longer tenor (10 to 30 years Sukuk) including perpetual *Sukuk* issuances by financial institutions, infrastructure *Sukuk* and relatively larger volume of Retail Sukuk issuances particularly from Indonesia.

The demand for *Sukuk* from GCC countries namely Bahrain, Saudi Arabia, UAE, Oman; other Islamic jurisdictions including Malaysia, Indonesia, Turkey, Pakistan, Brunei Darussalam as well as the Islamic Development Bank and the African region remain the main force in maintaining the appeal and growth of the *Sukuk* market.

In recent years, several of the Islamic jurisdictions, mentioned above, have been regularly issuing benchmark *Sukuk* in domestic as well as international markets. Moreover, some jurisdictions, including African countries, have adopted Bahrain's strategy of regularly issuing short term *Sukuk* to support the liquidity and investment requirements of Islamic financial institutions based in its jurisdiction. Bahrain, Brunei Darussalam, Indonesia, Malaysia, Turkey and certain African countries were the most frequent issuers of short-term Sukuk in 2019.

The International Islamic Liquidity Management Corporation (IILM) continues to remain an active issuer of short term international Sukuk. This offers an alternative liquidity management avenue to Islamic financial institutions which are active in the short-term market and looking for low risk securities.

The issuance of more debut Sukuk and successful refinancing of maturing Sukuk has contributed in maintaining the positive *Sukuk* volume trajectory and the indications were that this trend would have continued in 2020 given the relatively strong issuance expected in the pipeline. However, the unprecedented event of COVID-19 is threatening to negatively affect the *Sukuk* issuances particularly corporate and FI. It is expected that sovereigns are likely to issue *Sukuk* to meet their fiscal budgetary short fall which may in turn support the market.

The use of gold in *Sukuk* issuance by sovereign such as Turkish Treasury and asset backed *Sukuk* issuances may continue to be explored and issued though the volume may be limited given the limited availability of fully transferable assets, structuring issues and legal challenges especially title transfer requirement and risk management of the underlying asset need to be addressed.

The trend of issuing *Sukuk* on a fixed profit rate is expected to continue given the fact that the investor base is much more diverse as compared to the early years of *Sukuk* issuance when the investors were generally financial institutions. The *Sukuk* issued on fixed profit rates provide more trading opportunities and is helping the development of the secondary Sukuk market.

Sukuk issuances in non-local currency, for example, an issuer based in GCC issues a Malaysian Ringgit *Sukuk* or a Malaysian corporate issue a *Sukuk* in Singapore Dollar or Chinese Yuan etc., such transaction did not take place in 2019 as the case was in 2018. The issuance of Famosa *Sukuk* out of Taiwan in January 2020 is a positive development though scope for such issuances seems limited due to strict requirements including high rating of the issuer as well as the pricing in the currency swap market. Moreover, the first Corporate Sukuk out of Egypt in January 2020 is also another positive development and a welcome addition to a new jurisdiction in *Sukuk* market.

The application of the Dodd Frank rule of a 5% take-up by the issuer in the case of the Government of Saudi Arabia's international Sukuk issuance of USD 9 billion in 2017 seems to be one time event as no such transaction was reported in 2019 also.

During 2019, the share of sovereign issuances in the domestic market remained robust; contributing whopping 59% of total issuances value followed by corporate, Quasi-sovereign and IFs issuances of 15%, 14% and 12% respectively. The shares of the corporate sector excluding Malaysian Government remained below its potential in issuance volume.

In 2019, quasi-sovereign issuances in the international market were relatively strong with an issuance contribution of 41% (USD 15.93 billion) while sovereign issuances contribution was 30% as against 2018 contribution of 28%. The financial institutions issuances increased to 16% (USD 6.27 billion) from 2018 issuances of 11% (USD 3.71 billion) while the corporate declined to 13% (USD 4.93 billion) from 2018 issuances of 21% (6.76 billion).

On a cumulative basis for the period of 2001 to 2019, Malaysia continue to maintain its top position of Sukuk issuances with combined domestic and international issuances of USD 733.75 billion, followed by Saudi Arabia with 146.29 billion, Indonesia with USD 98.91 billion and UAE USD 88.69 billion. Malaysia, due to its deep capital market, continues to maintain its lead over its peers in the Asia and the GCC; however, the increase in issuances from Kingdom of Bahrain, Saudi Arabia, Indonesia, UAE, Turkey, etc is resulting into a reduction of the Malaysian share of the global *Sukuk* market in recent years.

In 2019, the Sukuk Al Wakalah structure maintained its lead over the Ijarah and other structures as the one most widely used by issuers in the international market with the market share of 56% (USD 21.75 billion) resulting into increase by around 6%. It was followed by a *Sukuk Al Ijarah* with declining market share to 11% (USD 4.21 billion) followed by *Sukuk Al Mudarabah* 9% (USD 3.5 billion) while Hybrid *Sukuk Murabaha/Mudarabah*, Hybrid *Sukuk Ijarah/Murabaha*, increased to 8% (USD 3 billion), 12% (USD 4.6 billion) respectively. The share of Hybrid *Sukuk Wakalah/Mudarabah* and *Sukuk Al Murabaha* was 1% (USD 0.30 billion) and 3% (USD 1.10 billion).

In 2019, the domestic *Sukuk Al Murabahah* remains the most used structure while seeing a decline in market share of this structure to 30% (USD 32.20 billion) as compared to 41% (USD 37.44 billion) last year, followed by *Sukuk Al Ijarah* of 20%, (USD 21.20 billion), followed by Hybrid *Sukuk Murabahah/Mudarabah*, *Sukuk Al Wakalah*, *Sukuk Al Mudarabah* and Hybrid *Sukuk Wakalah/Murabaha* with share of 17% (USD 18.70 billion), 12% (USD 12.5 billion), 11% (USD 12.10 billion) and 5% (USD 4.90 billion) respectively. The year 2019 presents a somewhat balanced structure preference, which is desirable and encouraging for the Sukuk market as the concern of dependence on one particular structure has been addressed.

In 2019, the International Sukuk issuance closed at around USD 38.40 billion Sukuk issuances as compared to USD 32.90 billion in 2018. The volume of short term international Sukuk issuance in 2019 and 2018 works out to USD 9.03 billion and USD 8.10 billion respectively which means that longer tenor *Sukuk* issuances were USD 29.50 billion and USD 24.90 billion respectively.

The international outstanding Sukuk increased to around USD 144.00 billion, which is an improvement over last year; though the supply and demand gap still remains.

Several landmark global *Sukuk* issuances from Malaysia, Saudi Arabia, Turkey, UAE, Indonesia, Bahrain etc., were in the pipeline for 2020, which is a clear indication that the *Sukuk* market is the most sort after capital market instrument although there is an economic slowdown due the COVID-19 pandemic. There is increasing likelihood, as per various expert opinions and reports, that *Sukuk* market volumes particularly for Corporate and IFs will remain subdued during early part of the year.

As far as domestic *Sukuk* markets are concerned, *Sukuk* issuances during 2019 were USD 107.20 billion compared to USD 90.00 billion in 2018. Malaysia has maintained a dominant share in terms of both volume and value, and remains the largest domestic *Sukuk* issuer with 50.45% (USD 54.09 billion). The countries like Kingdom of Bahrain, Indonesia, Saudi Arabia, Pakistan, Qatar and Turkey are emerging as potential leaders. Kingdom of Bahrain, particularly short-term *Sukuk* issuances, has also kept up its regular *Sukuk* issuances and has seen several landmark issuances.

The domestic *Sukuk* market in a number of jurisdictions is becoming active, particularly Saudi Arabia, Indonesia, Turkey and few others. Central banks are providing avenues to Islamic banks and other investors to invest their surplus liquidity in government *Sukuk* programs designed to provide a level playing field to Islamic financial institutions. Moreover, a number of countries such as Gambia, Ivory Coast, Senegal, Mali, Morocco and Bangladesh are actively developing their domestic *Sukuk* markets.

The total outstanding Domestic *Sukuk* as of 2019 stood at around USD 407.00 billion, which is once again around 46 billion higher than the previous year. The issuances volumes in recent years is on the rise led by sovereigns, quasi-sovereigns and it is expected that during 2020 issuances will be mostly come from sovereigns and to some extent by quasi-sovereign while corporate and IFs *Sukuk* issuances may remain lacklustre.

The US Dollar continues to be the favoured currency for attracting international investors around the globe. Local currency *Sukuk* will develop in the coming years as more OIC countries develop their domestic *Sukuk* markets. This trend is taking shape with Indonesia, Turkey, Pakistan, Africa and the GCC countries issuing local currency *Sukuk*. Sovereign or sovereign linked entities currently dominate issuance in these countries and this flow will continue, since the sovereign needs to fund its budget while also setting up the local benchmark curves and funding huge infrastructure projects.

Cross-border international *Sukuk* maturities in 2019 were USD 15.5 billion while the *Sukuk* maturities during 2020 and 2021 will be USD 10.50 billion and USD 16.08 billion respectively and need to be replaced.

The domestic maturities in 2019 were USD 22.60 billion while the maturities during 2020 and 2021 will be in the tune of around USD 23.30 billion and USD 20.90 respectively which need to be replaced.

Short-term *Sukuk* with a maturity of one year or less are essential in the development of Islamic interbank markets and these *Sukuk* play a key role in the liquidity management of financial institutions. In the year 2019, the main issuers of the short-term *Sukuk* were the kingdom of Bahrain, Malaysia, Indonesia, Turkey, Brunei Darussalam and a few African countries etc.,. The short-term *Sukuk* market, although limited to a few jurisdictions, offers and presents balanced issuances from various jurisdictions. In addition, the ILLM's entry into the short-term international *Sukuk* market also helps to develop this important market.

The appetite for short term *Sukuk* is high, perhaps higher than *Sukuk* with longer tenors, and is evident by these issuances. The trend towards issuing shorter tenor *Sukuk* is improving though it is mainly driven by sovereign issuers. There is a need for Islamic financial institutions and corporates to become active issuers of *Sukuk* in order to provide diversity and depth to the local markets, which are essential in the development of the money market.

Another important aspect, which is critical to the development of the *Sukuk* market, is the role of the corporate sector. As mentioned in the analysis part of this report, the volume of corporate issuances in most of the *Sukuk* issuing jurisdictions (except Malaysia) is below the potential. Among the reasons for the underperformance of the corporate sector in issuing *Sukuk* are economic conditions, government policies towards a particular sector, cash flow issues, tax incentives and other related reasons, moreover, the current situation caused by the COVID-19 pandemic could be another reason in the year 2020.

The most important issue surrounding corporate *Sukuk* is default and restructuring which was cause of concern during 2008 global economic crisis and may again surface given expected economic slowdown.

The Sukuk market continues to evolve, and in recent years, it has witnessed over reliance on certain *Sukuk* structures such as Wakalah and Murabahah. This development in particular needs to be monitored, as a structurally diversified global Sukuk market is recommended. Moreover, *Sukuk* market also need more asset backed or securitized Sukuk issuances perhaps covered bond structure can be introduced for *Sukuk* issuance as well.

Glossary

(A) General Islamic Finance Terms

Term	Meaning
'Aqd	A bilateral contract, agreement etc.
'Aqd al-Muawadah	Contract of exchange in which compensation is given against the goods or services received.
Al-Bai`	Sale contract.
Awqaf	Plural of Waqf, meaning trust. (i.e. Endowment of charitable trust.
Bai al-`Inah	Sale contract followed by repurchase by the seller at a different price.
Bai al-Salam	Advance purchase. Sale contract based on order of certain asset with certain specifications. Full payment is made in cash at the time of conclusion of the contract, whereas the delivery of the asset is deferred to a specified time.
Bai al-`Arbun	A sale agreement in which a security deposit is given in advance as a partial payment towards the price of the commodity purchased. It is also known as down payment sale.
Bai Bithaman al- Aajil / Bai Mu'ajjal or Bai al-Aajil	Deferred payment sale. It refers to the sale of goods contract on a deferred payment basis.
Bai al-Wafa	Buyback, sale and repurchase, a contract with the condition that when the seller pays back the price of goods sold, the buyer returns the goods to the seller.
Faqih	Is a Muslim Jurist who gives rulings on various juristic issues in the light of the Qur'an and the Sunnah of Prophet Muhammad (peace be upon him).
Fatwa	It is a religious decree. A ruling made by a qualified Shari'ah scholar on a particular issue. It is an opinion that addresses either a specific problem of interest to a particular person or a matter of public concern.
Fiqh	Refers to Islamic jurisprudence. It covers all aspects of life - religious, political, social, commercial, and economic. Fiqh is based primarily on interpretations of the Holy Qur'an and the Sunnah of Prophet Muhammad (peace be upon him) etc.
Fiqh-al- Mu'aamalat	It is Islamic commercial jurisprudence, jurisprudence of financial transactions or the rules of transacting in a Shari'ah compliant manner.
Ijarah	Lease or service contract that involves benefit/usufruct of certain asset or work for an agreed payment within an agreed period.
Ijarah Muntahia bi al-Tamlik	Lease contract which ends with acquisition of ownership of the asset by the lessee.
Istisna'a	Advance purchase of goods or buildings. It is a sale contract by way of order for a certain product with certain specifications and certain modes of delivery and payment (either in cash or deferred).

Murabahah	Sale contract with a disclosure of the asset cost price and profit margin to the buyer.
Mudarabah	Profit sharing contract. It is an investment partnership, whereby the investor provides capital to the entrepreneur in order to undertake a business or investment activity. While profits are shared on a pre-agreed ratio, losses are born by the investor alone. The entrepreneur loses only his share of the expected income.
Mudarib	Entrepreneur of a Mudarabah joint venture contract.
Musharakah`	Profit and loss sharing contract. It is an investment partnership in which all partners are entitled to a share in the profits of a project in a mutually agreed ratio. Losses are shared in proportion to the amount invested.
Musharakah Mutanaqisah	Refers to a contract whereby one of the partners promises to buy the equity share of the other gradually until the title is completely transferred to him. (This is known as diminishing Musharakah).
Murtahin	A party who asks for collateral.
Musawamah	Bargain on price. Sale contract without the disclosure of the asset cost price and profit margin to the buyer.
Muwakkil	The principal/investor who appoints the agent (Wakil) to carry out a specific job on his behalf.
Rabb al-Mal	Owner of capital (the investor) in Mudarabah joint venture contract.
Ra's-al-Mal	The capital. The money or property which an investor invests in a profit-seeking venture contract.
Rahin	Chargor
Shari'ah	Is often referred to as Islamic law. It is the rulings contained in and derived from The Holy Qur'an and the Sunnah [i.e. sayings and living example of the Prophet Muhammad (peace be upon him)]. These cover every action performed by an individual or a society. It is primarily concerned with a set of values that are essential to Islam and the best manner of their protection. The essential values of the Shari'ah include those of faith, life, intellect, lineage, property, fulfillment of contracts, preservation of ties of kinship, honoring the rights of one's neighbor. It also includes sincerity, trustworthiness and moral purity and so forth.
Shari'ah Scholar	The Islamic Shari'ah scholar is an individual who is well-versed with the necessary knowledge of the Shari'ah teachings and principles.
Shari'ah Compliant Product	The product meets the requirements of Shari'ah. In other words, this is the term used in Islamic finance to indicate that a financial product or activity that complies with the requirements of the Shari'ah..
A Shari'ah Board	Is the committee of well-versed Islamic scholars available to an Islamic financial institution for guidance and supervision in the development of Shari'ah compliant products. It is recommended the scholars of a Shari'ah board to be well versed and competent in Shari'ah and its approaches to economics and finance.
A Shari'ah Advisor	Is an independent Islamic trained scholar that advises Islamic institutions on the compliance of the products and services with the Shari'ah.
Takaful	Islamic insurance. Structured as a charitable collective pool of funds based on the idea of mutual assistance.

Tawarruq	Reverse Murabahah, for the purpose of acquiring cash through trade activities.
Tamwil Majm'a li Muamalaat Tijariah	Refers to a participation agreement for trade finance transactions.
Wa'ad	Promise/undertaking. Such as a promise to buy or sell certain goods in a certain quantity at a certain time in the future at a certain price.
Wakalah	Agency. A contract of agency in which one party appoints another party to perform a certain task on its behalf.
Wakil	In a Wakalah contract, a representative/agent, who acts on behalf of the principal/investor.
Wakalah bi al-Istithmar	Agency contract for investment.
Wathiqah Hamish al Rahn al Naqdi	Refers to Credit Support Deed for Cash Collateral Variation Margin Agreement.

(B) Sukuk Report Ninth Edition Glossary

Term	Meaning
Sukuk	An 'Arabic term for financial certificate. It is defined as "Certificates of equal value representing undivided shares in ownership of tangible assets, usufructs and services or (in the ownership of) the assets of particular projects or special investment activity".
Sukuk Al- Istithmar	Refers to Investment Sukuk. Investment Sukuk are of different types. Such as Certificates of ownership in leased assets and Certificates of ownership of usufructs.
Sukuk mulkiyat al Maujudaat al Muajjarah	Certificates of ownership in leased assets.
Sukuk mulkiyat al Manaf 'i	Are Certificates of ownership of usufructs (are of different types).
Al-Ijarah Sukuk	An Islamic certificate for the buying and leasing of assets by the investors to the issuer and such Sukuk shall represent the undivided beneficial rights/ownership/interest in the asset held by the trustee on behalf of the investors.
Istisna'a Sukuk	Are certificates of equal value issued with the aim of mobilizing funds to be employed for the production of goods so that the goods produced come to be owned by the certificate holders. (This type of Sukuk has been used for the advance funding of real estate development, major industrial projects or large items of equipment such as: turbines, power plants, ships or aircraft (construction/manufacturing financing).
Mudarabah Sukuk	Are certificates that represent project or activities managed on the basis of Mudarabah by appointing one of the partners or another person as the Mudarib for the management of the operation. (It is an investment partnership between two entities whereby one entity is mainly a provider of capital and the other is mainly the manager)
Murabahah Sukuk	Are certificates of equal value issued for the purpose of financing the purchase of goods through Murabahah so that the certificate holders become the owners of the Murabahah commodity. (This is a pure sale contract based Sukuk, which based on the cost plus profit mechanism).

Musharakah Sukuk	Are certificates of equal value issued with the aim of using the mobilized funds for establishing a new project, financing a business activity etc., on the basis of any of partnership contract so that the certificate holders become the owners of the project. (Musharakah Sukuk is an investment partnership between two or more entities which together provide the capital of the Musharakah and share in its profits and losses in pre-agreed ratios).
Salam Sukuk	Are certificates of equal value issued with the aim of mobilizing Salam capital/mobilizing funds so that the goods to be delivered on the basis of Salam come to be owned by the certificate holders.
Corporate Sukuk	Is a Sukuk issued by a corporation as opposed to those issued by the government. It is a major way for companies to raise funds in order to expand its business or for a specific project.
Convertible or exchangeable Sukuk	Convertible or exchangeable Sukuk certificates are convertible into the issuer's shares or exchangeable into a third party's shares at an exchange ratio, which is determinable at the time of exercise with respect to the going market price and a pre-specified formula.
Domestic Sukuk (For the purpose of this report)	A Sukuk issued in local currency.
Global Sukuk (For the purpose of this report)	Both international and domestic Sukuk.
Hybrid Sukuk	Hybrid Sukuk combine two or more forms of Islamic financing in their structure such as Istisna'a and Ijarah, Murabahah and Ijarah etc.
International Sukuk (For the purpose of this report)	A Sukuk issued in hard currency such as USD.
Quasi-sovereign Sukuk	Are Sukuk issued by a public sector entity that is like sovereign Sukuk. It may carry explicit or implicit government guarantee.
Sovereign Sukuk	Are Sukuk issued by a national government. The term usually refers to Sukuk issued in foreign currencies, while Sukuk issued by national governments in the country's own currency are referred to as government Sukuk.



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