



للسوق المالية
الإسلامية الدولية
International Islamic
Financial Market

Sukuk Trends and listing on Stock Exchanges and Use of Sukuk/Islamic Securities as Collateral

Current Status, Developments and Key Challenges

11th Meeting of the Organisation of Islamic Cooperation (OIC) Member States' Stock Exchanges Forum
Tuesday, 31st October 2017, Le Meridien Etiler Hotel, Istanbul

Ijlal Ahmed Alvi
Chief Executive Officer, IIFM



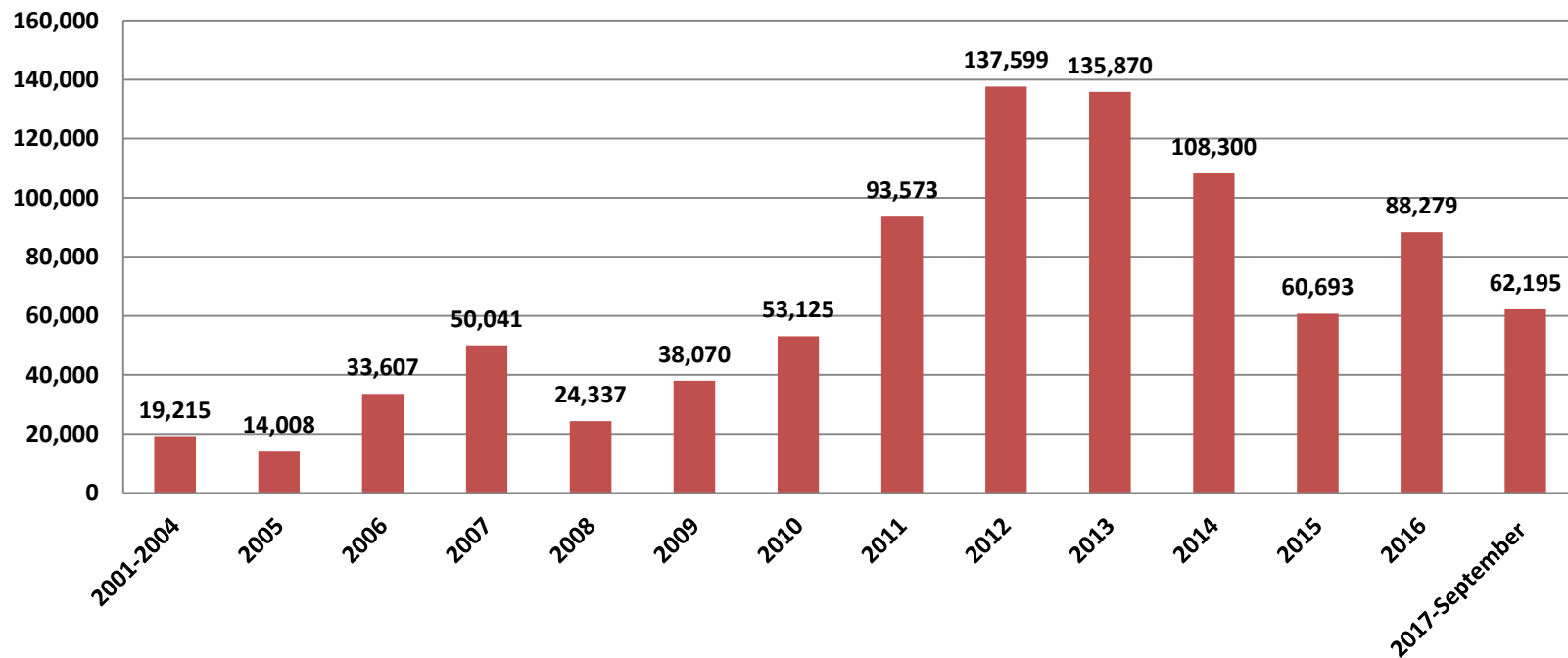
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Sukuk Market Current Status

a) Total Global Sukuk Issuances (International & Domestic)



Total Global Sukuk Issuances (Jan 2001 – September 2017) All Tenors, All Currencies, in USD Millions

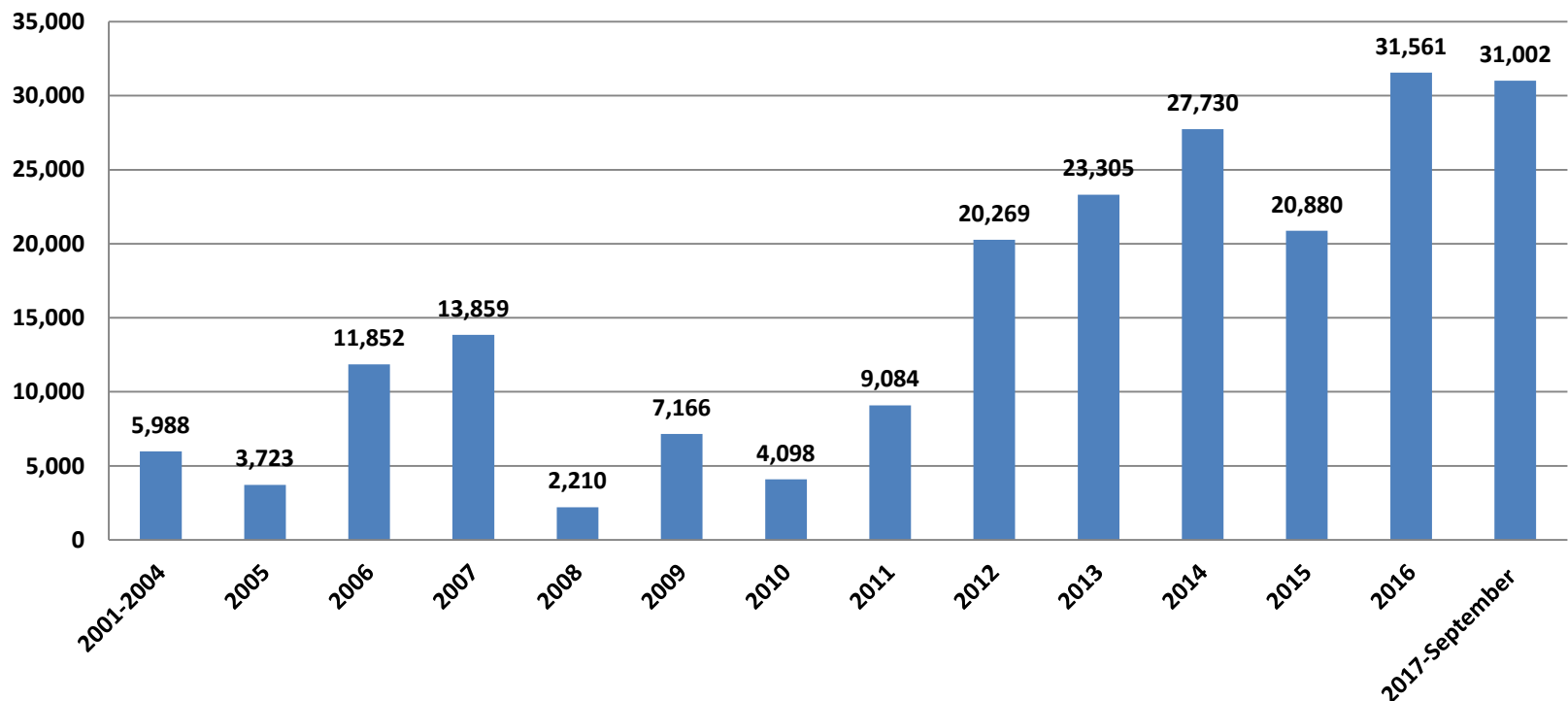


➤ Total Global Sukuk Issuances as September 2017 USD 918,913 Millions

Source: IIFM Sukuk database



Total INTERNATIONAL Sukuk Issuances (Jan 2001 – September 2017) All Tenors, All Currencies, in USD Millions

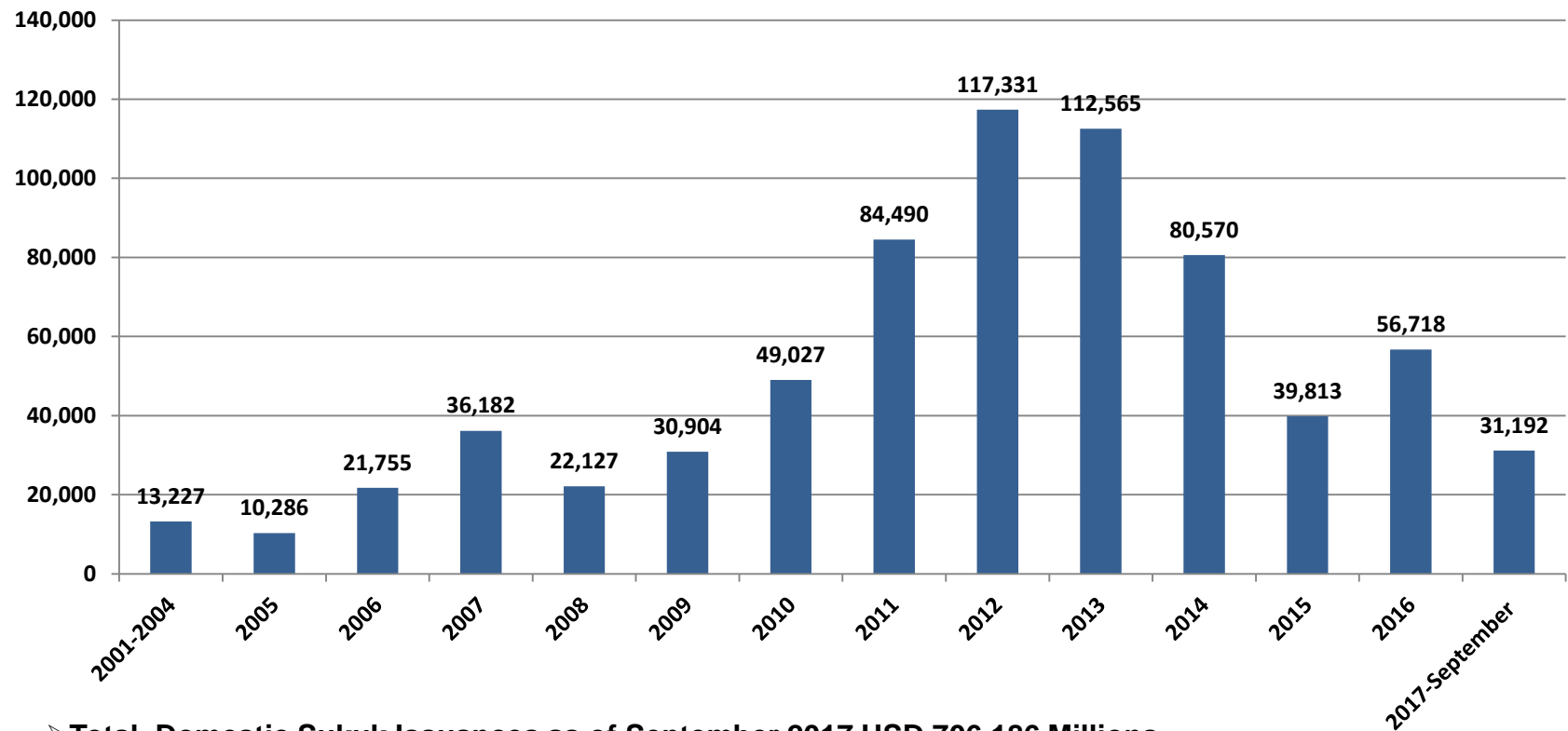


➤ **Total International Sukuk Issuances as of September 2017 USD 212,727 Millions**

Source: IIFM Sukuk database



Total DOMESTIC Sukuk Issuances (Jan 2001 - September 2017) All Tenors, All Currencies, in USD Millions



➤ Total Domestic Sukuk Issuances as of September 2017 USD 706,186 Millions

Source: IIFM Sukuk database



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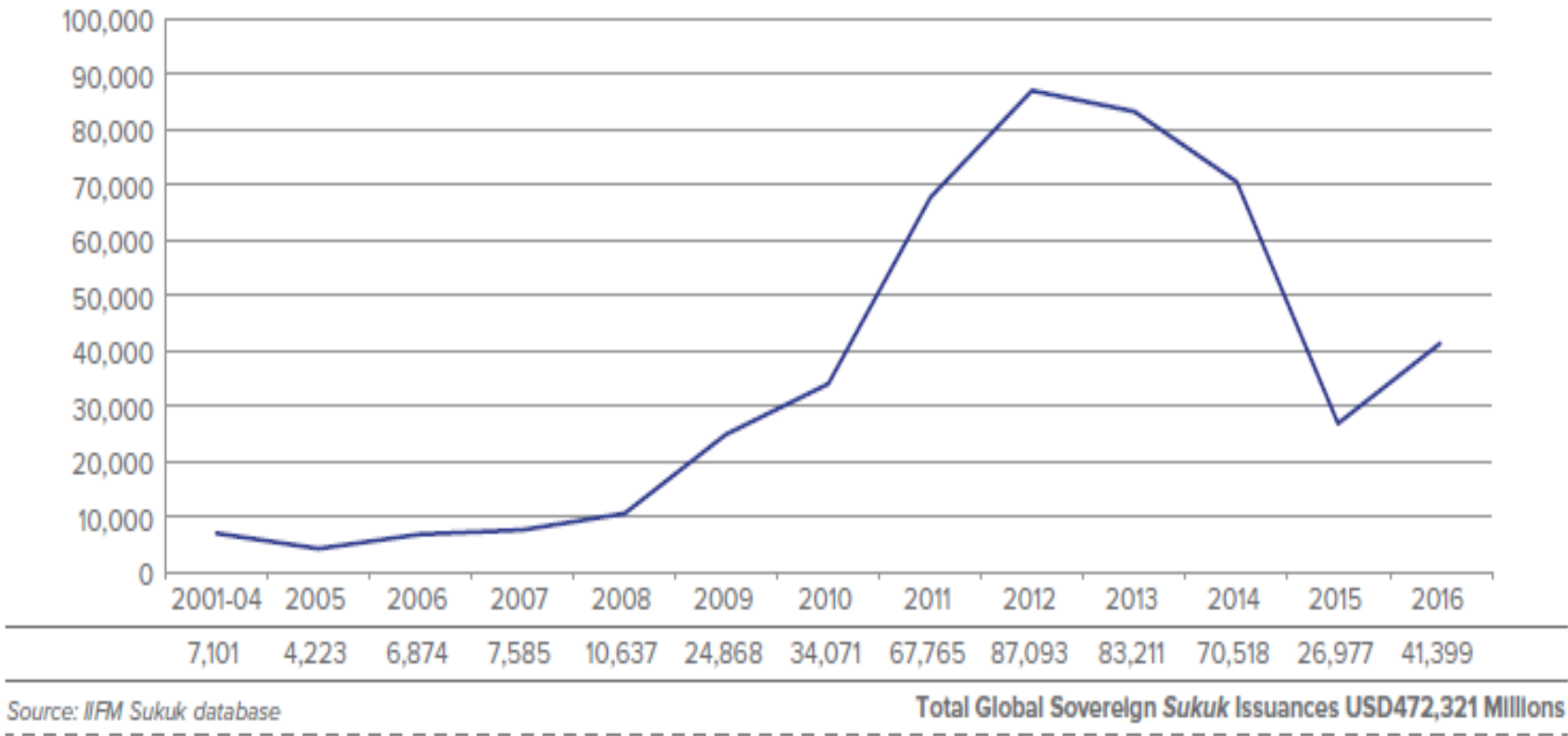
Sukuk Market Current Status

b) Total Global Sukuk Issuances – Breakdown by Issuer Status

Global Sovereign Sukuk Issuances (Jan 2001 – Dec 2016), All Tenors, All Currencies, in USD Millions



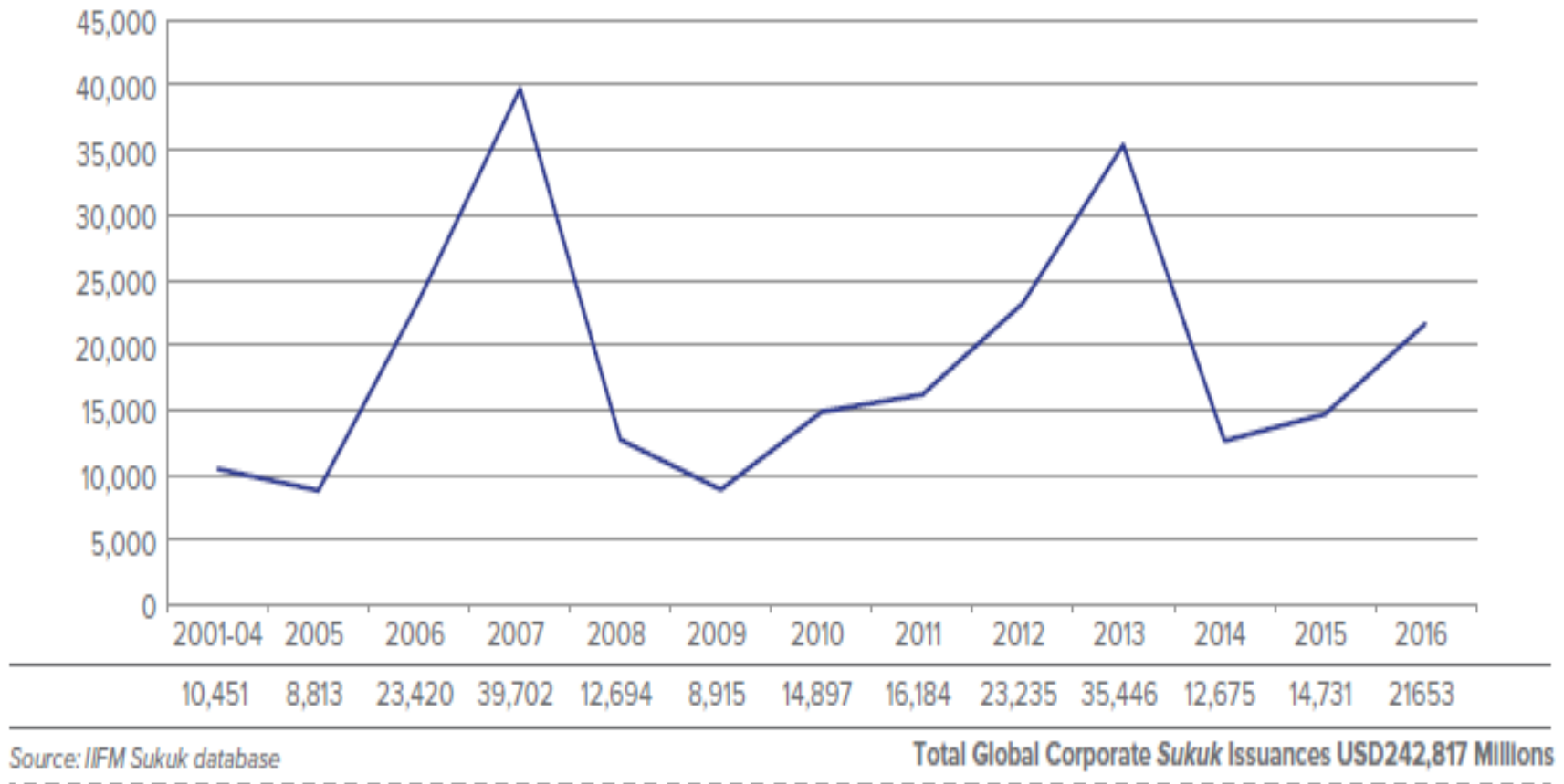
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Global Corporate Sukuk Issuances, (Jan 2001 – Dec 2016), All Tenors, All Currencies, in USD Millions



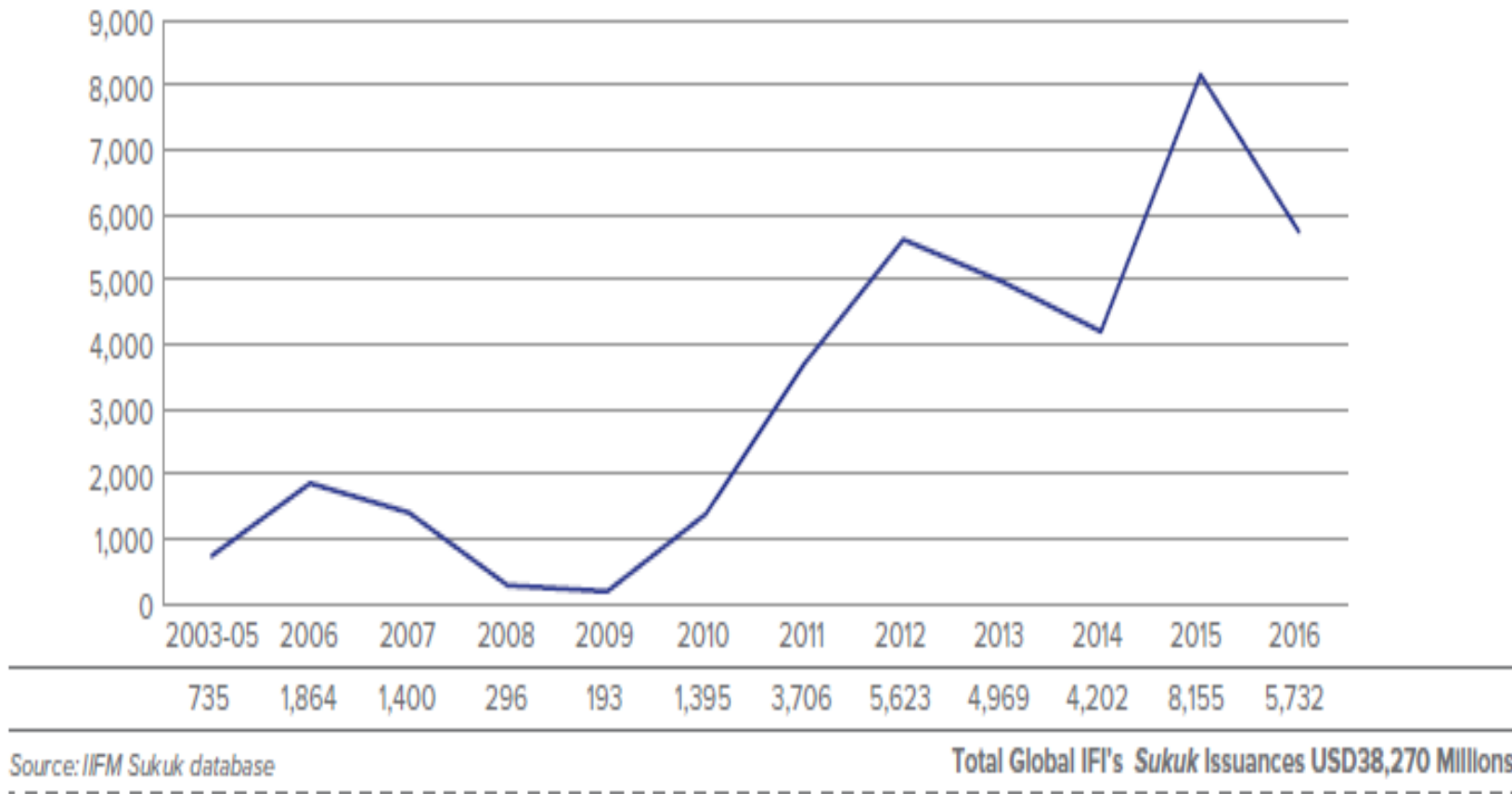
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Global IFIs Sukuk Issuances, (Jan 2001 – Dec 2016), All Tenors, All Currencies, in USD Millions

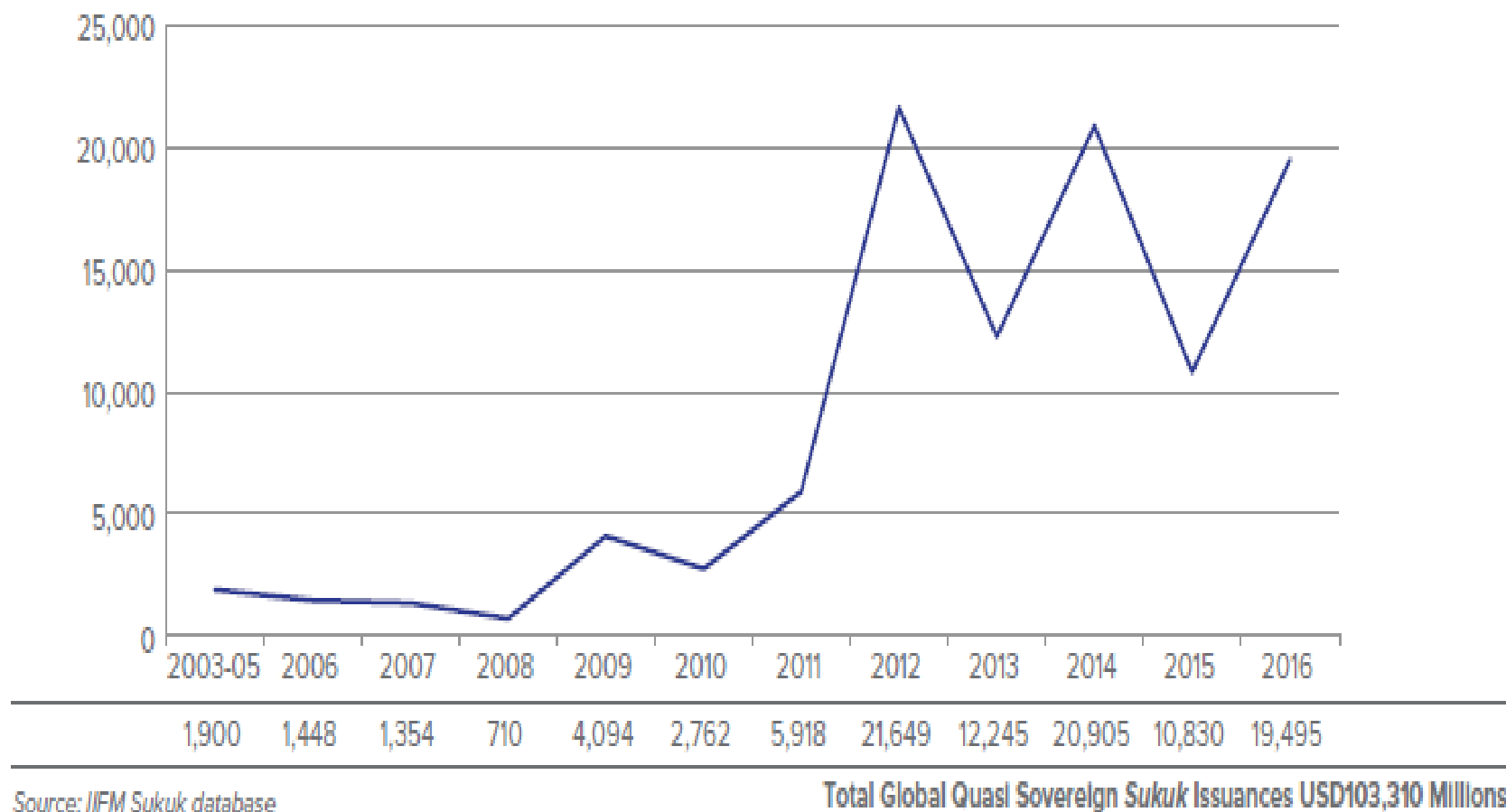


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Global Quasi Sovereign Sukuk Issuances, (Jan 2001 – Dec 2016), All Tenors, All Currencies, in USD Millions



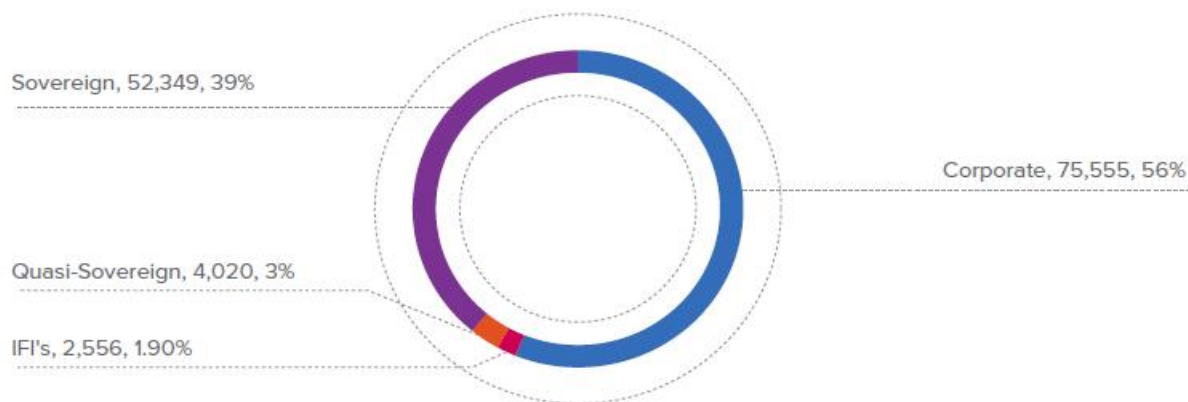
DOMESTIC Sukuk Issuances by Issuer Status

All Tenors, All Currencies, in USD Millions

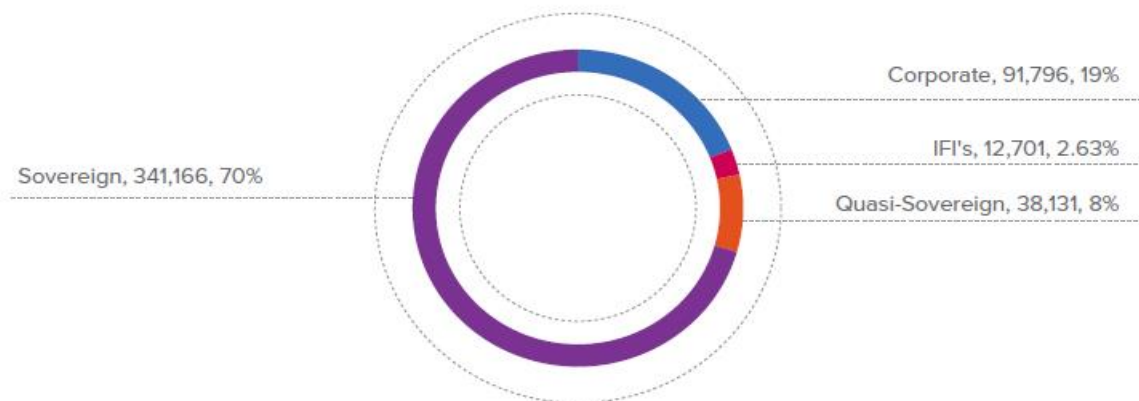


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DOMESTIC SUKUK ISSUANCES Jan 2001-Dec 2009



DOMESTIC SUKUK ISSUANCES Jan 2010-Dec 2015



DOMESTIC Sukuk Issuances by Issuer Status

All Tenors, All Currencies, in USD Millions



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DOMESTIC SUKUK ISSUANCES Jan 2016- Dec 2016



Source: IIFM Sukuk database

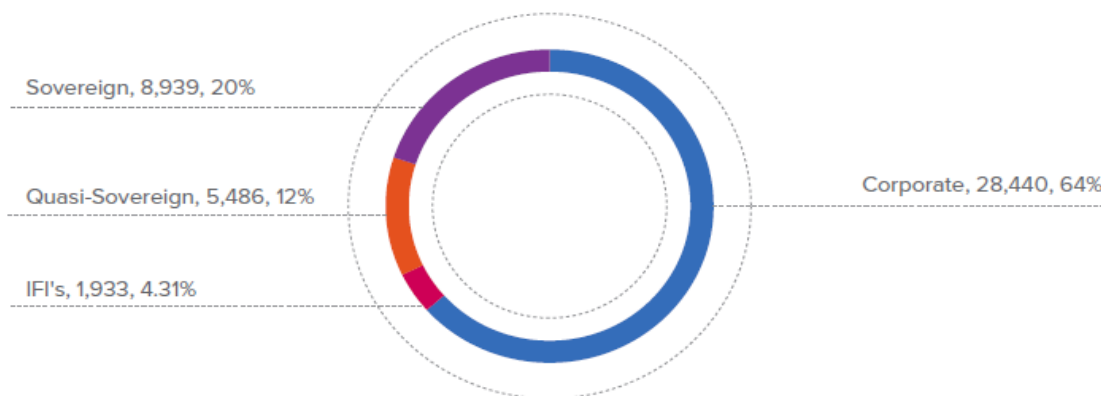
INTERNATIONAL Sukuk Issuances by Issuer Status

All Tenors, All Currencies, in USD Millions



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INTERNATIONAL SUKUK ISSUANCES Jan 2001- Dec 2009



INTERNATIONAL SUKUK ISSUANCES Jan 2010- Dec 2015

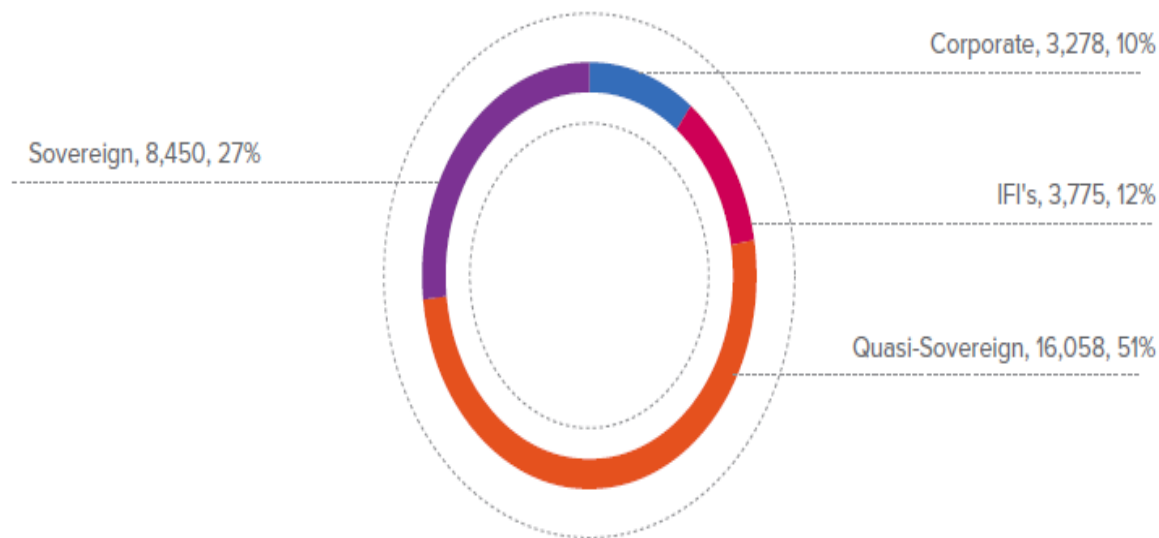




INTERNATIONAL Sukuk Issuances by Issuer Status

All Tenors, All Currencies, in USD Millions

INTERNATIONAL SUKUK ISSUANCES Jan 2016- Dec 2016



Source: IIFM Sukuk database



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Sukuk Market Current Status

c) Total Global Sukuk Issuances

REGIONAL BREAK - UP OF GLOBAL ISSUANCES (JAN 2001 -DEC 2016)



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ASIA & FAR EAST	NUMBER OF ISSUES	AMOUNT USD MILLIONS	% OF TOTAL VALUE
Bangladesh	4	37	0.004%
Brunei Darussalam	137	8,829	1.03%
China	1	97	0.01%
Hong Kong	4	2,196	0.26%
Indonesia	208	42,325	4.94%
Iran	1	144	0.02%
Japan	3	190	0.02%
Malaysia	5,179	560,516	65.43%
Maldives	1	3	0.004%
Pakistan	74	14,606	1.70%
Singapore	16	1,498	0.17%
Sri Lanka	1	3	0.004%
Total	5,629	630,445	73.60%
GCC & MIDDLE EAST	NUMBER OF ISSUES	AMOUNT USD MILLIONS	% OF TOTAL VALUE
Bahrain	366	24,058	2.81%
Jordan	3	272	0.03%
Kuwait	16	2,908	0.34%
Oman	5	1,407	0.16%
Qatar	28	24,601	2.87%
Saudi Arabia	95	63,483	7.41%
United Arab Emirates	104	68,495	8.00%
Yemen	2	253	0.03%
Total	619	185,478	21.60%

REGIONAL BREAK - UP OF GLOBAL ISSUANCES (JAN 2001 -DEC 2016) Continuation



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AFRICA	NUMBER OF ISSUES	AMOUNT USD MILLIONS	% OF TOTAL VALUE
Gambia	210	136	0.02%
Ivory Coast	2	460	0.05%
Nigeria	2	133	0.02%
Senegal	2	445	0.05%
South Africa	1	500	0.06%
Sudan	28	19,378	2.26%
Togo	1	245	0.03%
Total	246	21,296	2.50%
EUROPE & OTHERS	NUMBER OF ISSUES	AMOUNT USD MILLIONS	% OF TOTAL VALUE
France	1	1	0.0001%
Germany	3	206	0.02%
Luxembourg	3	280	0.03%
Turkey	116	16,201	1.89%
United Kingdom	9	1,368	0.16%
USA	5	1,367	0.16%
Kazakhstan	1	77	0.01%
Total	138	19,500	2.28%
Grand Total	6,632	856,718	100%



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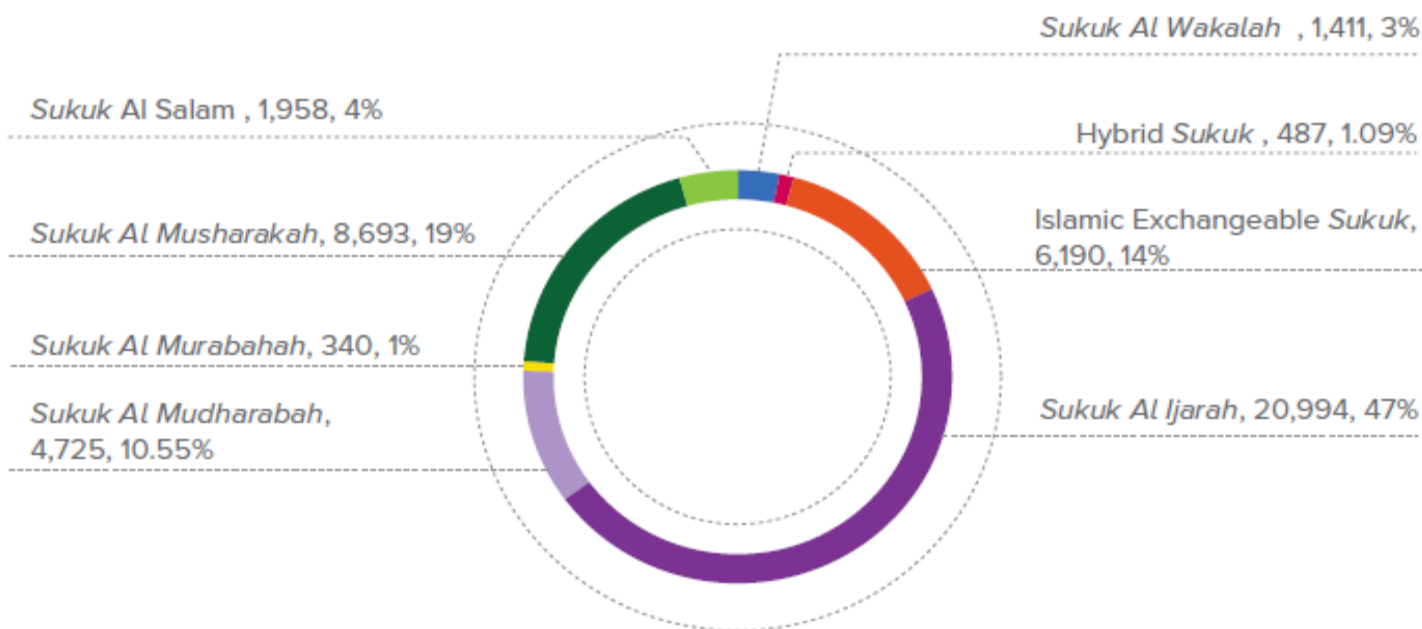
Sukuk Market Current Status

d) Global Sukuk Issuances – Structural Breakdown (International & Domestic)



Structural Breakdown of INTERNATIONAL Sukuk Issuances - All Tenors, All Currencies, in USD Millions

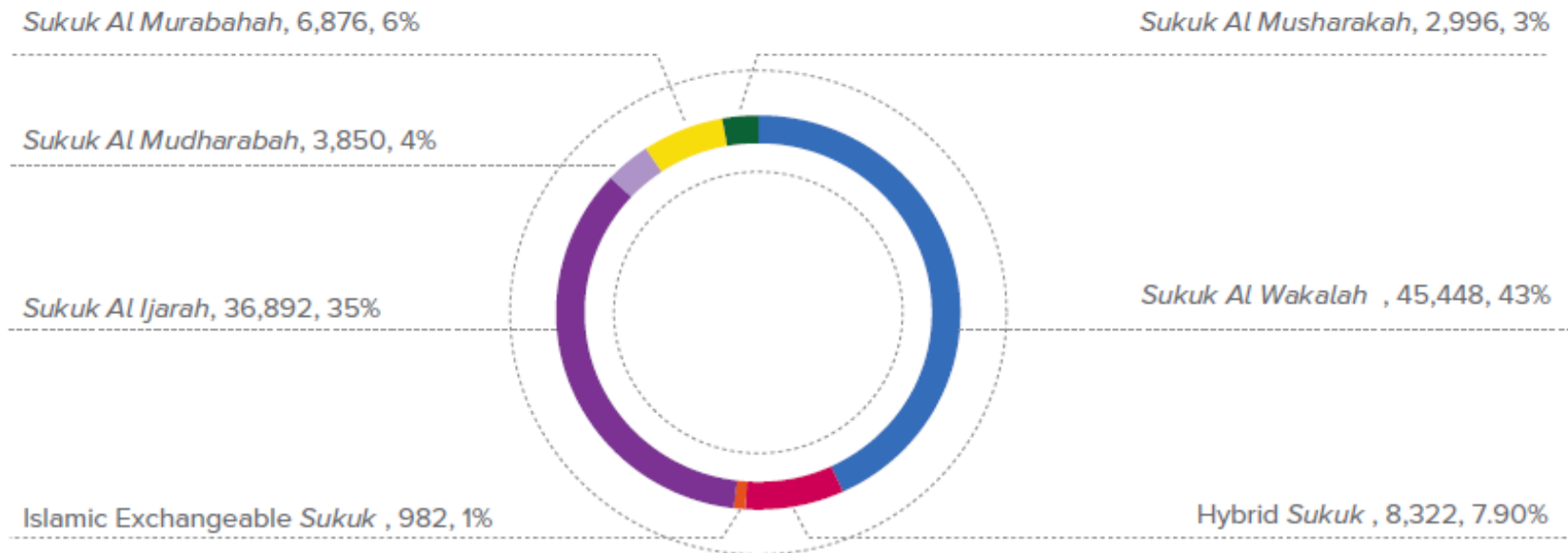
INTERNATIONAL SUKUK ISSUANCES Jan 2001- Dec 2009





Structural Breakdown of INTERNATIONAL Sukuk Issuances - All Tenors, All Currencies, in USD Millions

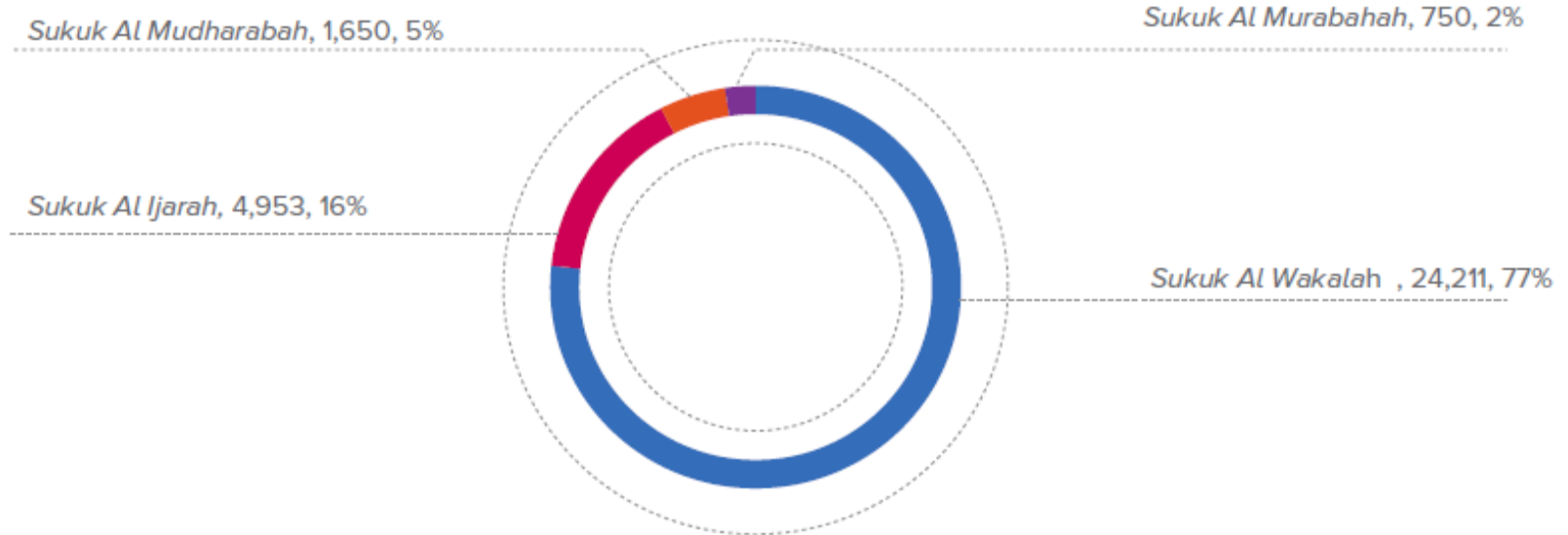
INTERNATIONAL SUKUK ISSUANCES Jan 2010- Dec 2015





Structural Breakdown of INTERNATIONAL Sukuk Issuances - All Tenors, All Currencies, in USD Millions

INTERNATIONAL SUKUK ISSUANCES Jan 2016- Dec 2016

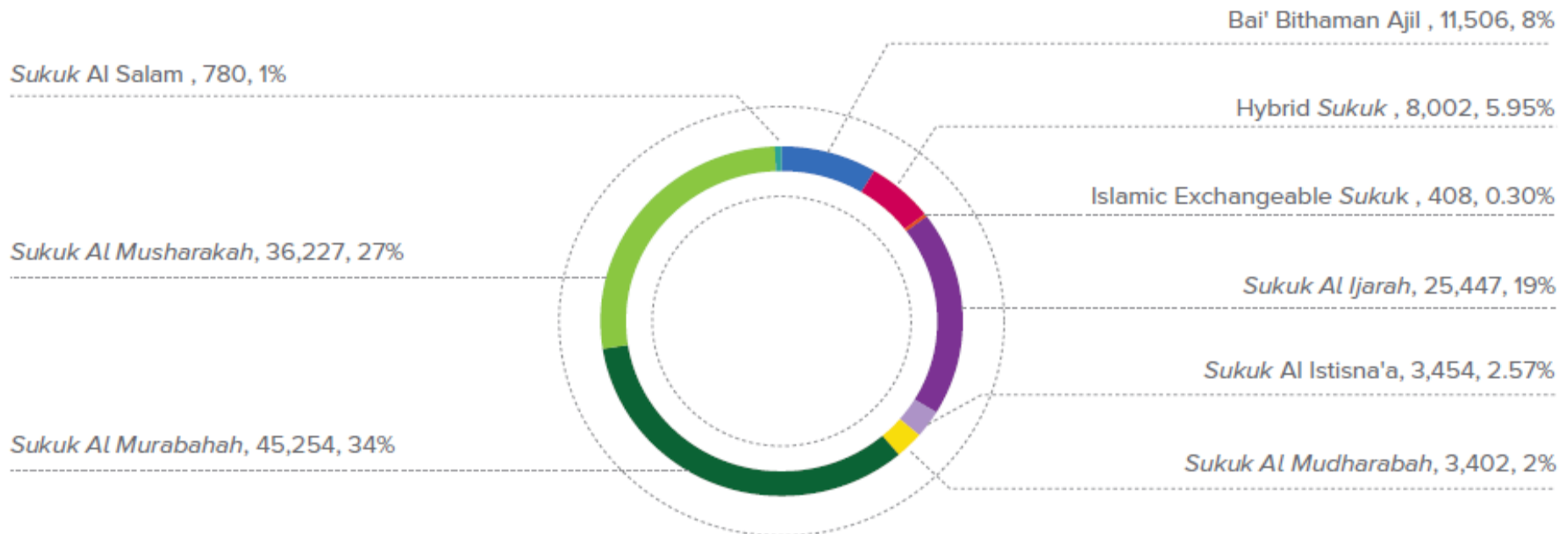


Source: IIFM Sukuk database



Structural Breakdown of Domestic Sukuk Issuances - All Tenors, All Currencies, in USD Millions

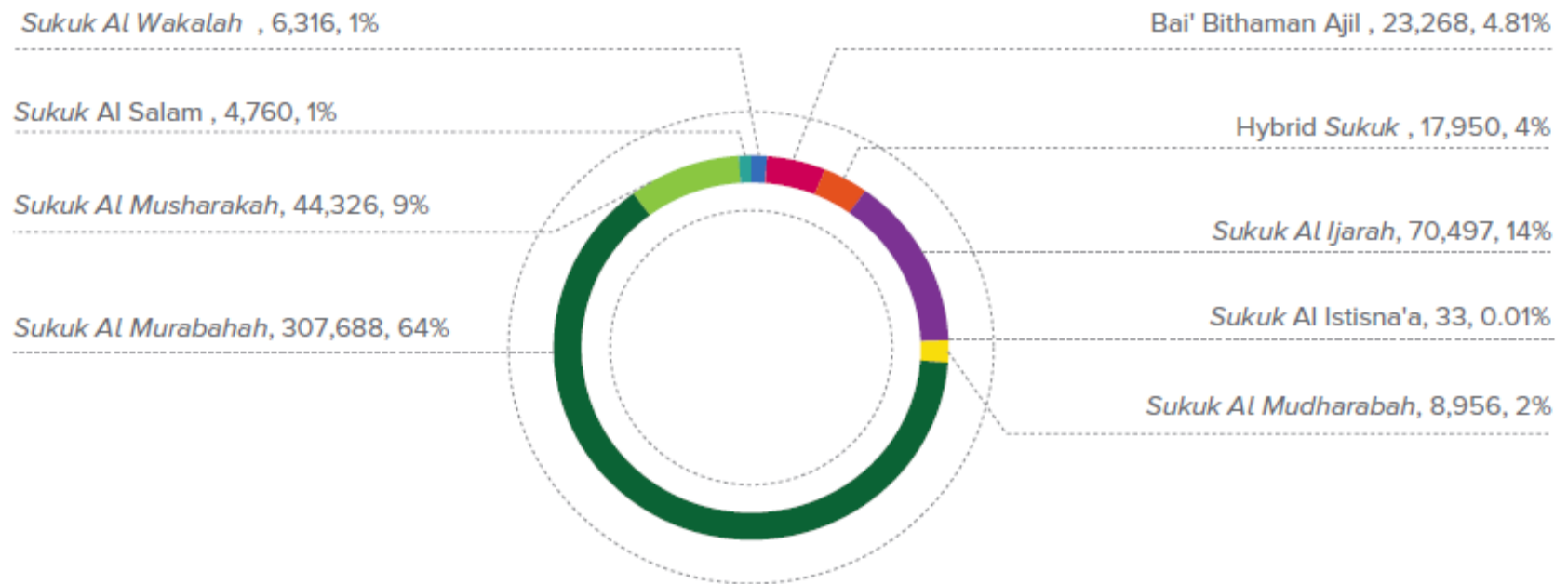
DOMESTIC SUKUK ISSUANCES Jan 2001-Dec 2009





Structural Breakdown of Domestic Sukuk Issuances - All Tenors, All Currencies, in USD Millions

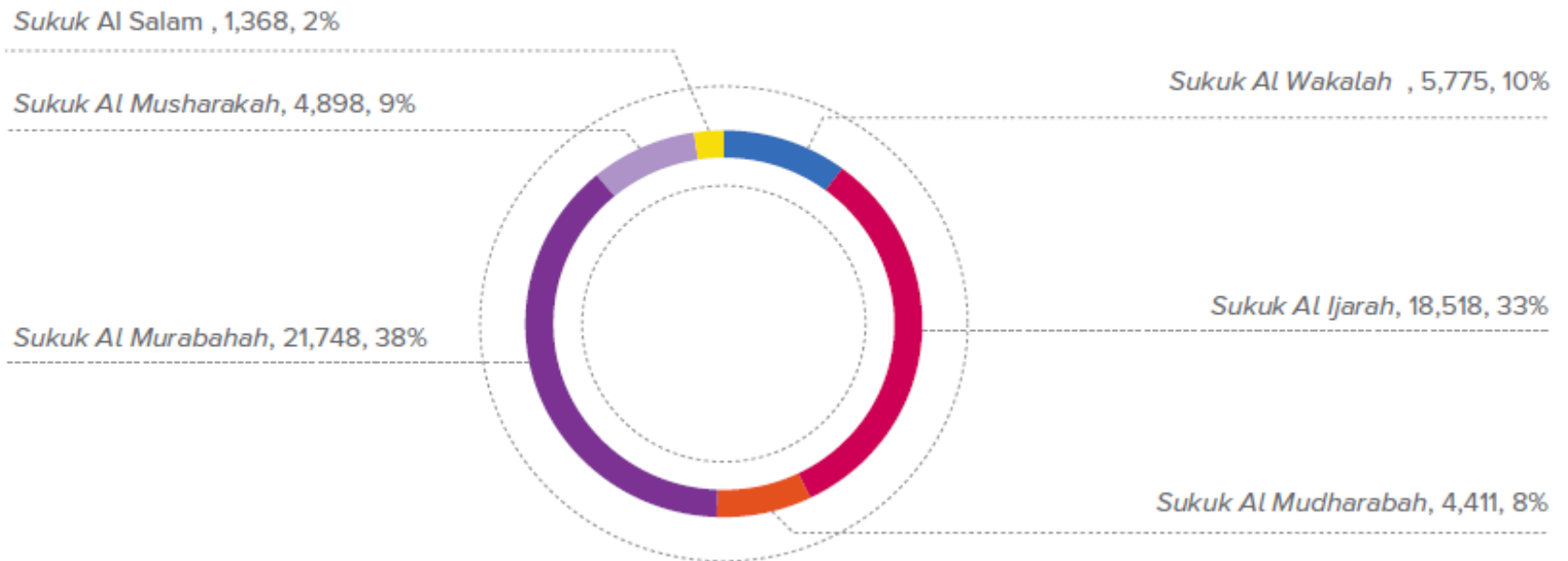
DOMESTIC SUKUK ISSUANCES Jan 2010-Dec 2015





Structural Breakdown of Domestic Sukuk Issuances - All Tenors, All Currencies, in USD Millions

DOMESTIC SUKUK ISSUANCES Jan 2016- Dec 2016



Source: IIFM Sukuk database



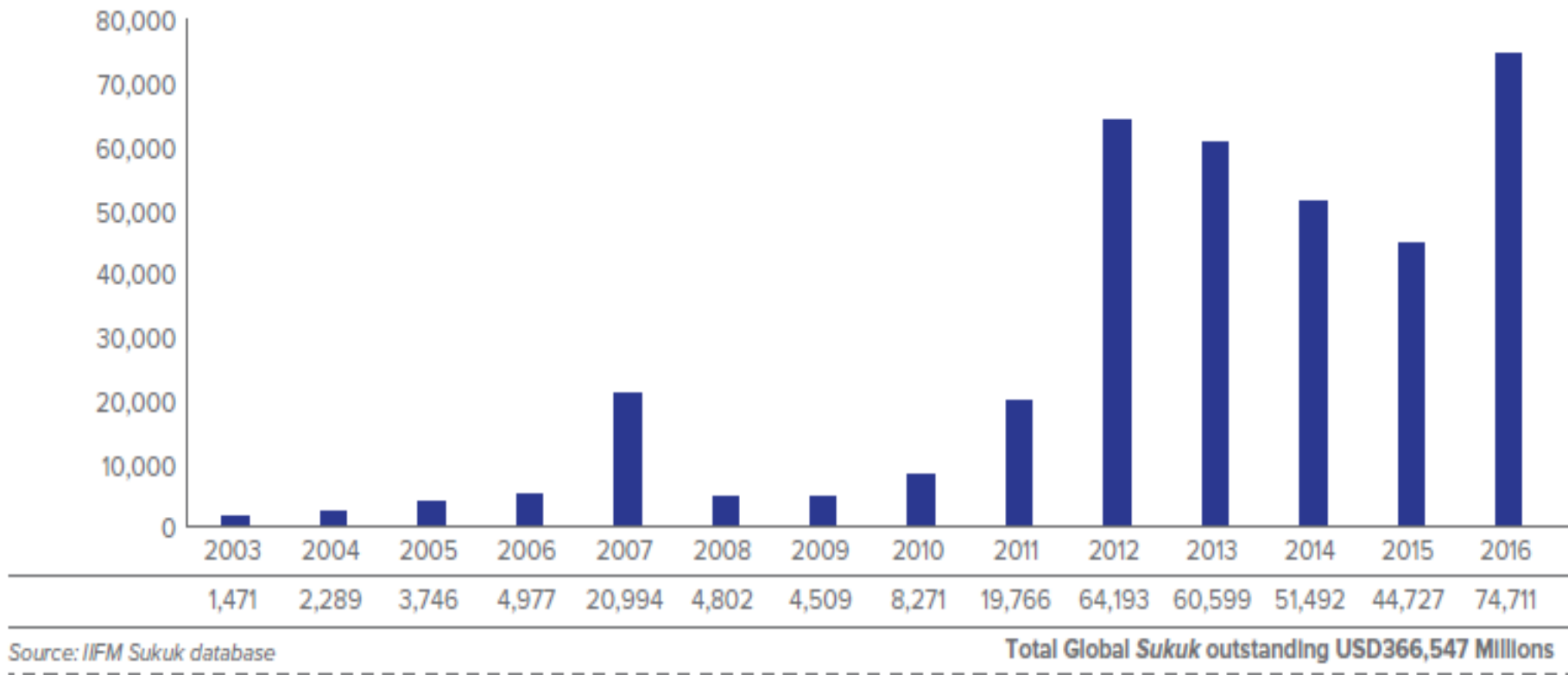
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Sukuk Market Current Status

E) Global Outstanding Sukuk Breakdown (International & Domestic)



Total Global SUKUK Outstanding As of 31st December 2016, All Tenors, All Currencies, in USD Millions





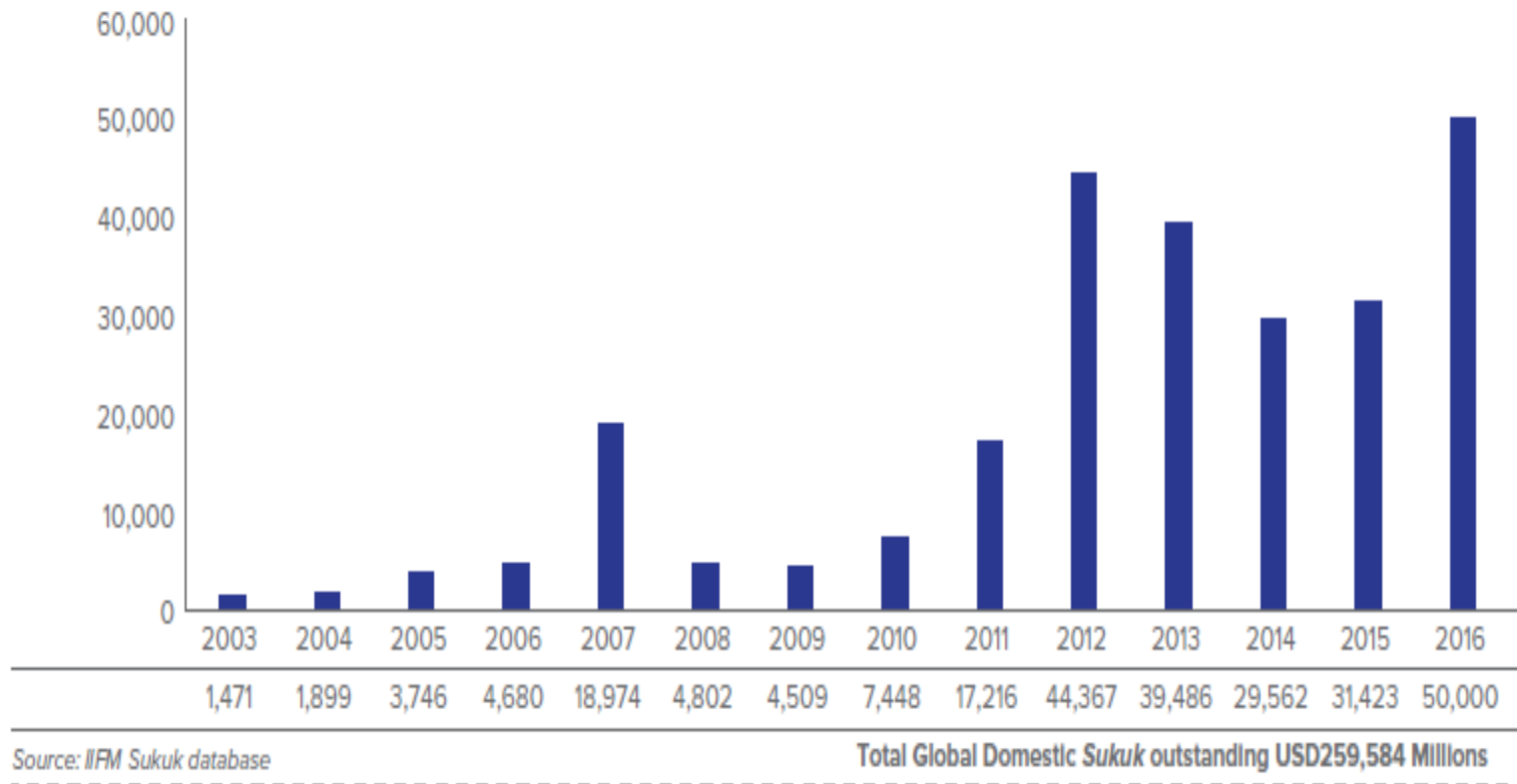
Total Global SUKUK Outstanding by issuer Status As of 31st December 2016, All Tenors, All Currencies, in USD Millions



Source: IIFM Sukuk database



Total Domestic SUKUK Outstanding As of 31st December 2016, All Tenors, All Currencies, in USD Millions





Total Domestic SUKUK Outstanding by Issuer Status As of 31st December 2016, All Tenors, All Currencies, in USD Millions

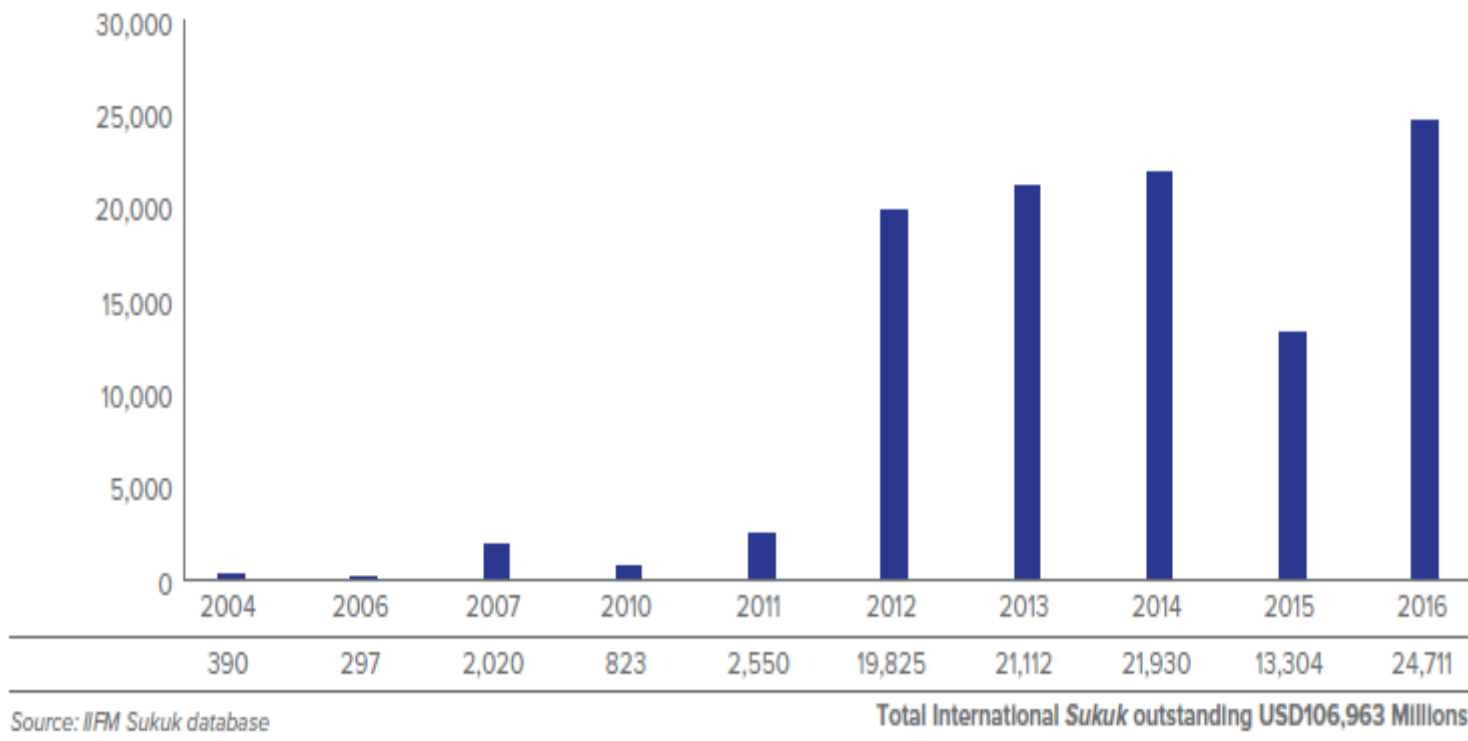


Source: IIFM Sukuk database



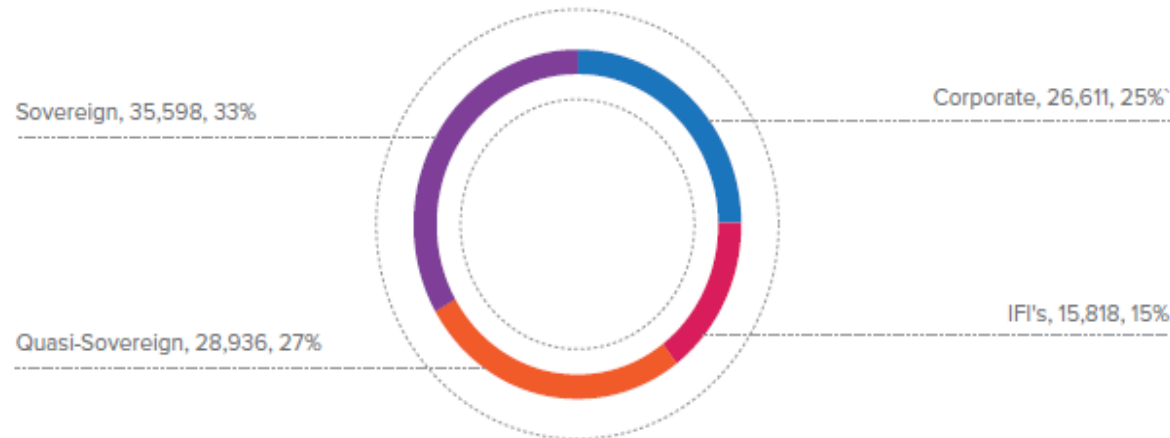
Total International SUKUK Outstanding

As of 31st December 2016, All Tenors, All Currencies, in
USD Millions





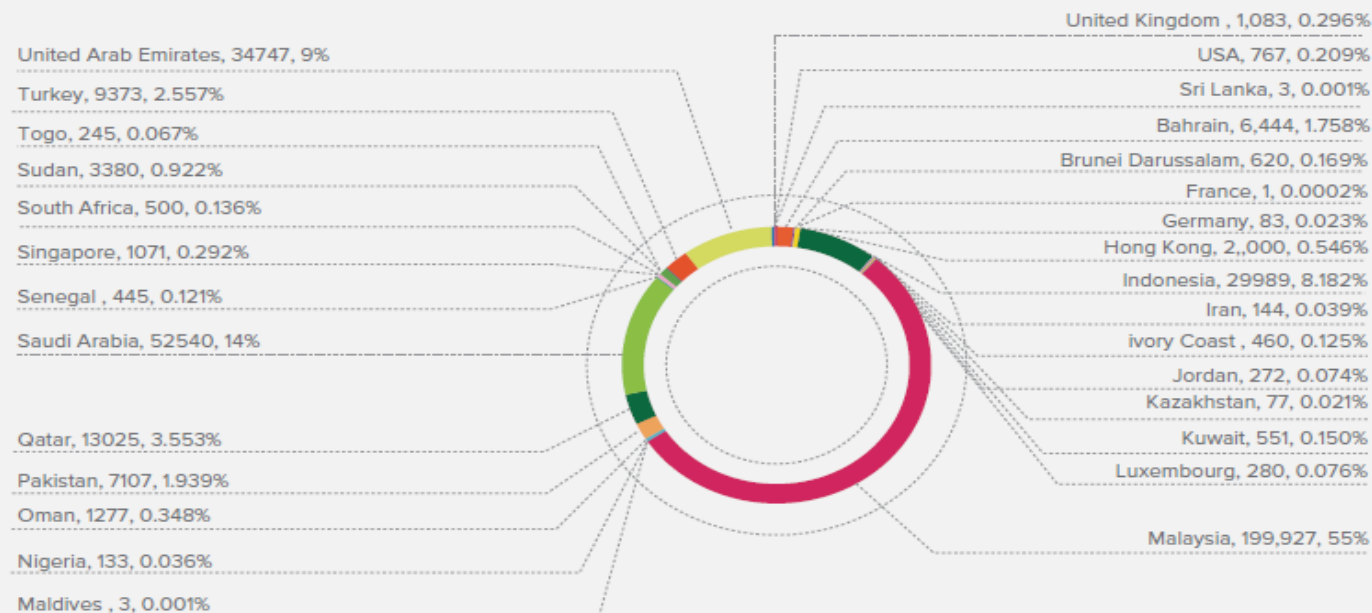
Total International SUKUK Outstanding by Issuer Status As of 31st December 2016 (in USD Millions)



Source: IIFM Sukuk database



Countries wise Breakdown of Global SUKUK Outstanding As of 31st December 2016, All Tenors, All Currencies, in USD Millions



Source: IIFM Sukuk database



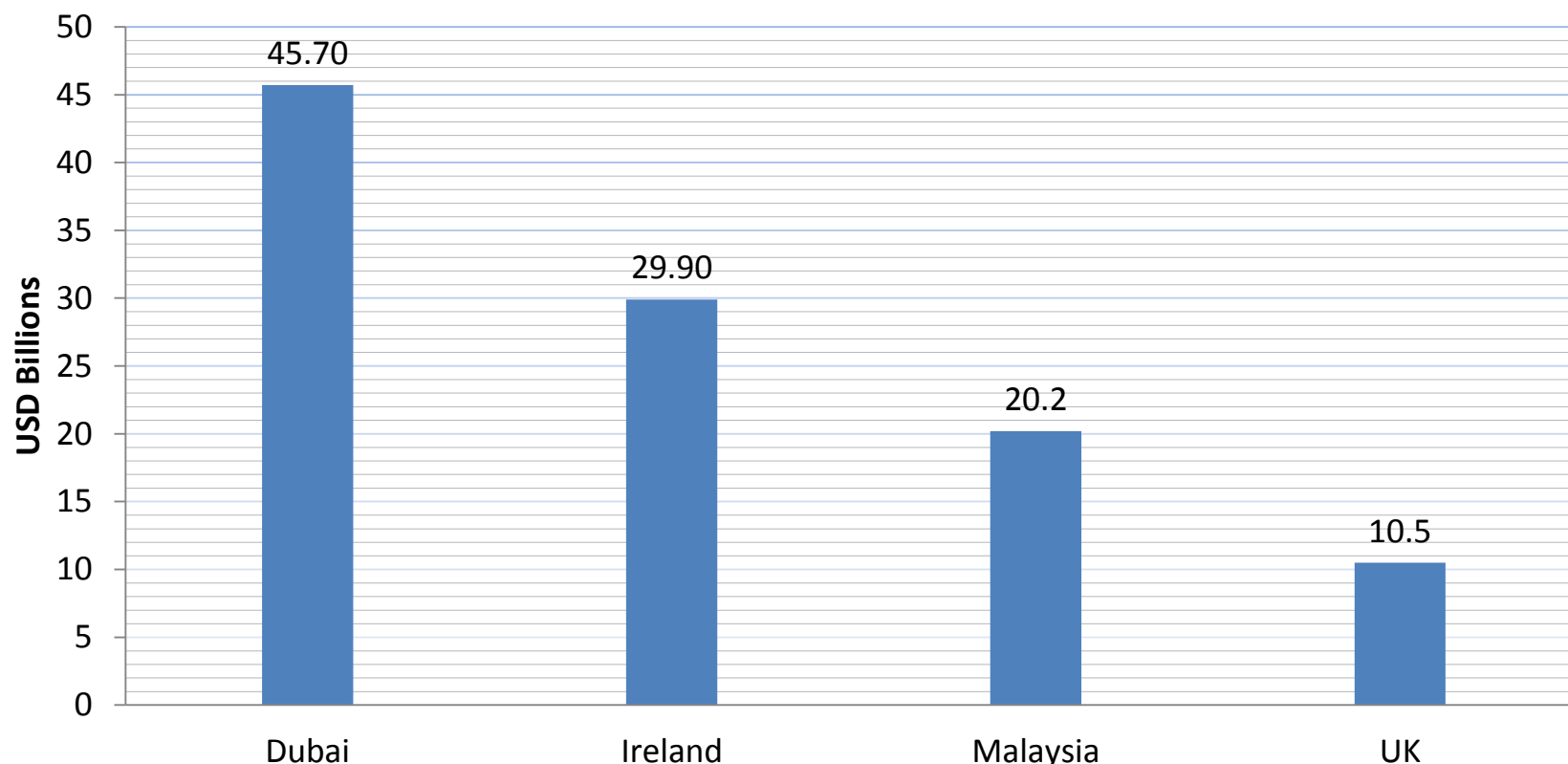
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Sukuk listing on Stock Exchanges

Sukuk Listing Centers by Nominal Value



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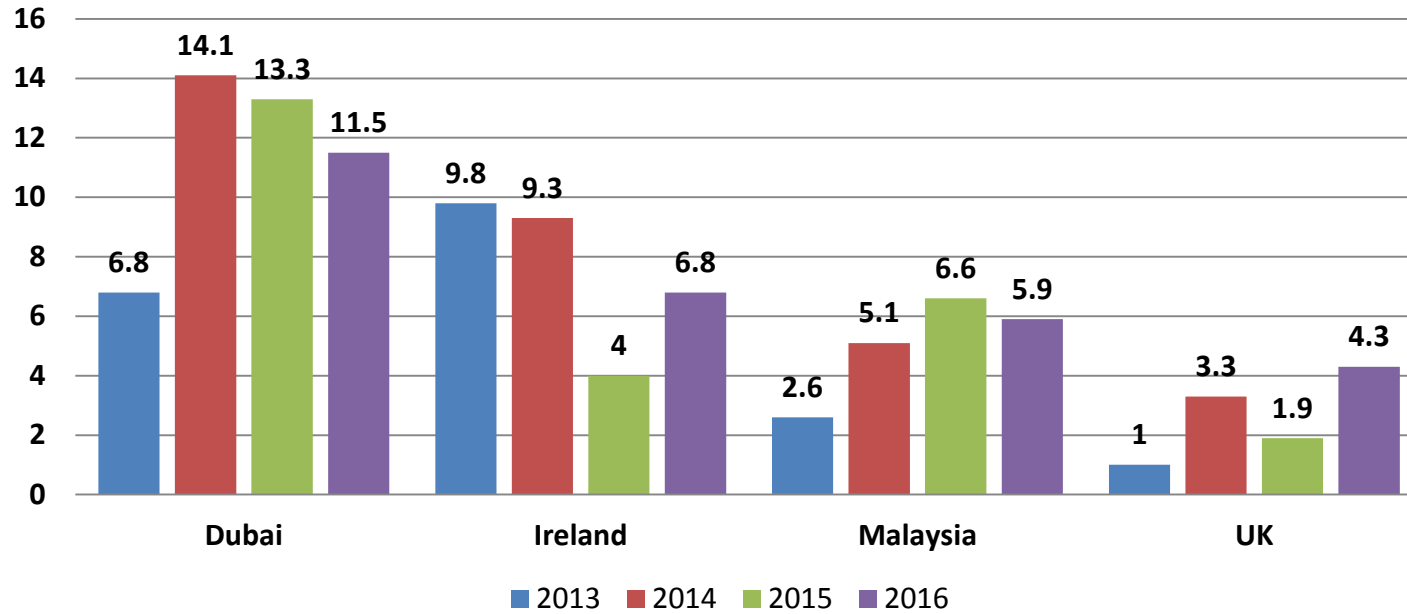


No. of Sukuk	58	45	78	11
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Source: NASDAQ Dubai/IIFM Sukuk Report



New Admissions of Sukuk



No. of
Sukuk

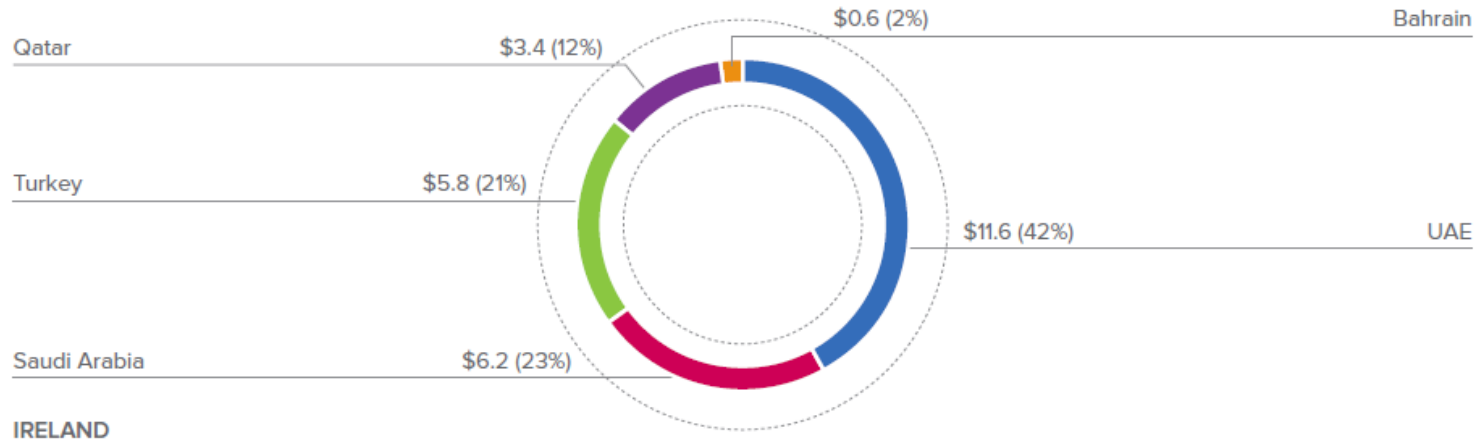
	Dubai	Ireland	Malaysia	UK
2013	11	15	6	1
2014	19	14	9	3
2015	14	6	9	2
2016	14	10	21	5

Source: NASDAQ Dubai/IIFM Sukuk Report

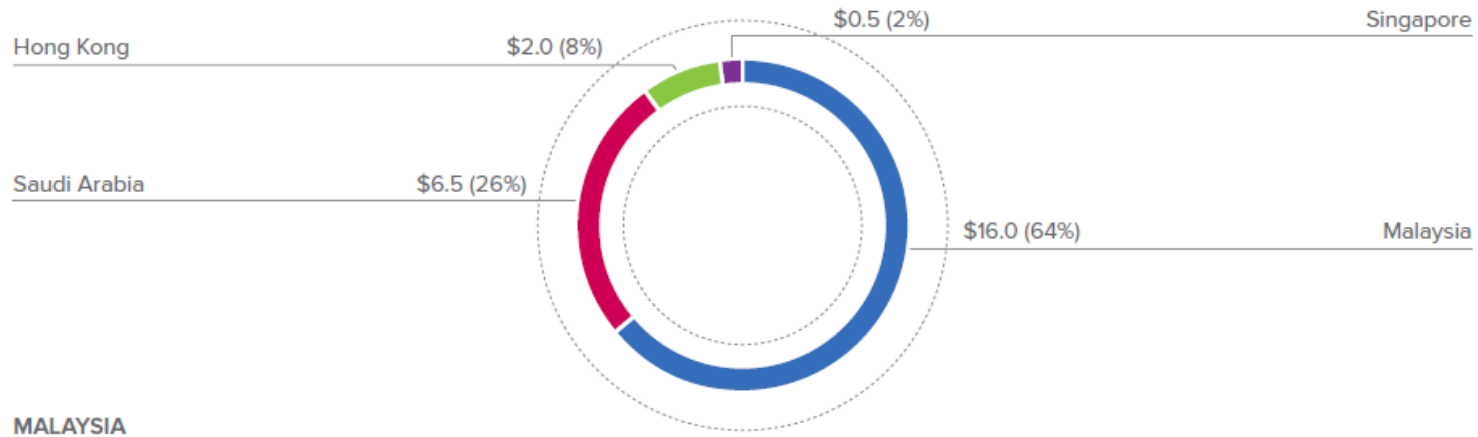
Origin of Sukuk Listed on Top Markets (USD Billions)



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Source: NASDAQ Dubai/IIFM Sukuk Report



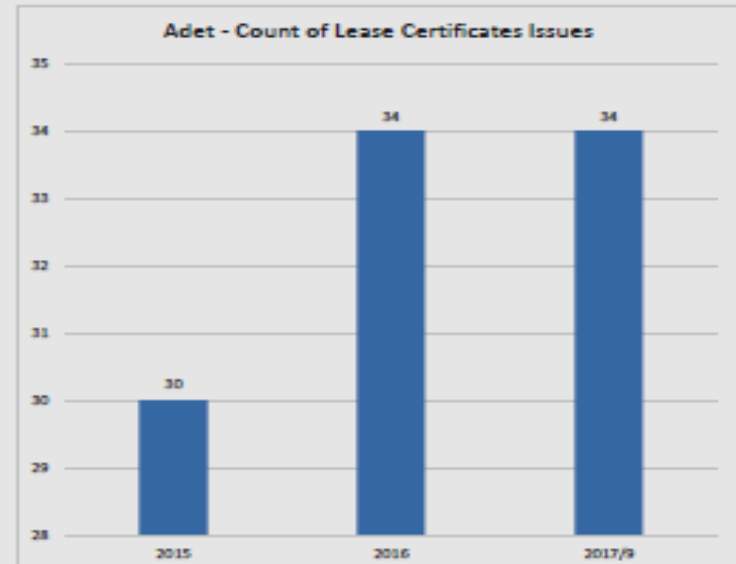
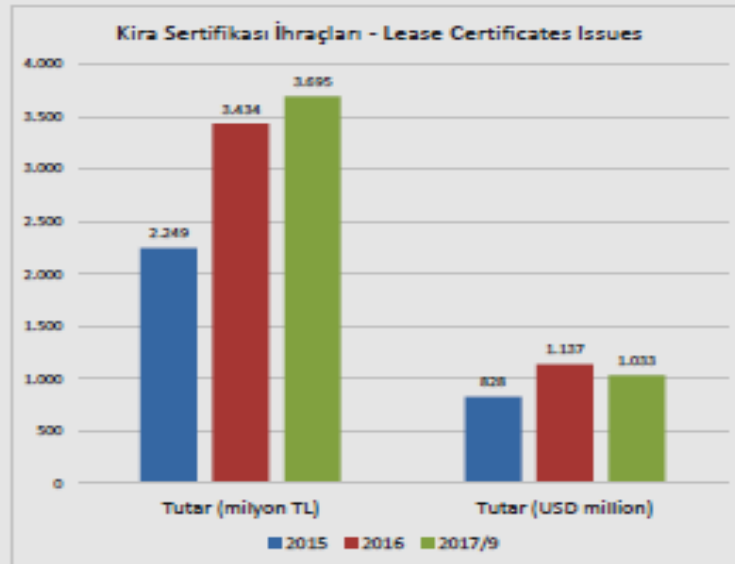
Turkish Sukuk Listing



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Year	Amount (milyon TL)	Amount (USD million)
Yıl	Tutar (milyon TL)	Tutar (USD million)
2015	2.249	828
2016	3.434	1.137
2017/9	3.695	1.033

Year	Count
Yıl	Adet
2015	30
2016	34
2017/9	34



Source: Borsa Istanbul

Turkish Domeitc Sukuk Listing



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2015

Type Of Debt Instrument	Kira Sertifikası /Sukuk Certificate		
Issuing Type	Data		
	Sum of Issued Amount (TL)	Sum of Issued Amount (USD)	Count of No
Nitelikli Yatırımcıya Borsa Dışında İhraç /To qualified investors out of stock exchange	1.534.091.000	570.253.392	24
Halka Arz / IPO	690.000.000	248.034.659	5
Nitelikli Yatırımcıya Borsa'da İhraç (NİP) / To qualified investors on stock exchange	25.000.000	9.306.481	1
Grand Total	2.249.091.000	827.594.533	30

2016

Type Of Debt Instrument	Kira Sertifikası /Sukuk Certificate		
Issuing Type	Data		
	Sum of Issued Amount (TL)	Sum of Issued Amount (USD)	Count of No
Nitelikli Yatırımcıya Borsa Dışında İhraç /To qualified investors out of stock exchange	2.608.613.800	861.835.785	26
Halka Arz / IPO	750.000.000	249.727.338	5
Nitelikli Yatırımcıya Borsa'da İhraç (NİP) / To qualified investors on stock exchange	75.000.000	25.199.824	3
Grand Total	3.433.613.800	1.136.762.947	34

2017

Type Of Debt Instrument	(Multiple Items)		
Issuing Type	Data		
	Sum of Issued Amount (TL)	Sum of Issued Amount (USD)	Count of No
Nitelikli Yatırımcıya Borsa Dışında İhraç /To qualified investors out of stock exchange	2.835.000.000	789.004.024	25
Halka Arz / IPO	485.000.000	136.660.244	5
Nitelikli Yatırımcıya Borsa'da İhraç (NİP) / To qualified investors on stock exchange	375.000.000	107.708.752	4
Grand Total	3.695.000.000	1.033.373.020	34

Source: Borsa Istanbul

Bahrain Domestic Sukuk Listing



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Listing date	Issuer	Issue Type	Amount - USD Millions	Face Value
19-Jan-15	Government of the Kingdom of Bahrain	Sukuk Al Ijarah	660	\$2.64
2-Aug-15	Government of the Kingdom of Bahrain	Sukuk Al Ijarah	264	\$2.64
2-Aug-15	Government of the Kingdom of Bahrain	Sukuk Al Ijarah	530	\$2.64
	Total		1,454	

Source: Bahrain Bourse



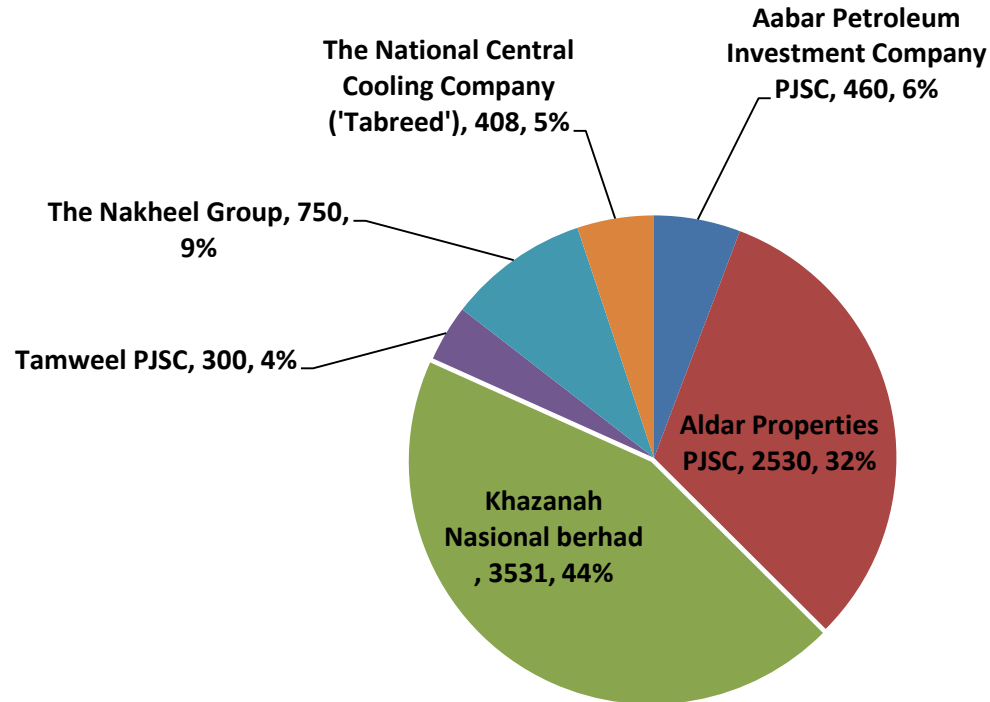
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Exchangeable Sukuk Issuances

Total Islamic Exchangeable Sukuk Issuances Jan 2006 -Dec 2016



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Source: IIFM Sukuk Database



Total Islamic Exchangeable Sukuk Issuances Jan 2006 -Dec 2016

Issue Date	Obligor	Issuer Country	Currency	Issue Type	International/ Domestic	Amount (USD Millions)
2-Jun-06	Aabar Petroleum Investment Company PJSC	UAE	USD	Corporate	International	460
11-Feb-07	Aldar Properties PJSC	UAE	USD	Corporate	International	2,530
1-Sep-16	Khazanah Nasional berhad (DANGA CAPITAL BHD)	Malaysia	USD	Quasi-Sovereign	International	399
29-Sep-06	Khazanah Nasional Bhd	Malaysia	USD	Quasi-Sovereign	International	750
27-Jun-07	Khazanah Nasional Bhd	Malaysia	USD	Quasi-Sovereign	International	850
5-Mar-08	Khazanah Nasional Bhd	Malaysia	USD	Quasi-Sovereign	International	550
24-Oct-13	Khazanah Nasional Bhd	Malaysia	SGD	Quasi-Sovereign	International	482
24-Sep-14	Khazanah Nasional Bhd	Malaysia	USD	Quasi-Sovereign	International	500
23-Jan-08	Tamweel PJSC	UAE	USD	Corporate	International	300
15-Jan-08	The Nakheel Group	UAE	USD	Corporate	International	750
19-May-08	The National Central Cooling Company ('Tabreed')	UAE	AED	Corporate	Domestic	408

Source: IIFM Sukuk Database

Khazanah Nasional Berhad - Exchangeable Sukuk



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ABSTRACT ON KHAZANAH EXCHANGEABLE SUKUK

The Khazanah Exchangeable Sukuk is the seventh exchangeable Sukuk offered by Khazanah, providing investors with exposure into China's growing water utility sector by offering the option to exchange Sukuk certificates into shares of Beijing Enterprises Water Group (BEWG). The Sukuk is another one among the growing trend of hybrid or equity-linked Sukuk, which are gaining popularity in the turbulent capital markets. The Khazanah Exchangeable Sukuk, however, is the first ever USD-denominated exchangeable Sukuk, which references a stock that is not Shari'ah compliant at issuance. Certificate holders will have the option of cash settlement by the Obligor if the shares do not comply with Shari'ah requirements at the time of redemption.

Khazanah intends to use the proceeds of the Sukuk as additional working capital and for other general corporate purposes related to its principal business activities.

Khazanah Nasional Berhad - Exchangeable Sukuk



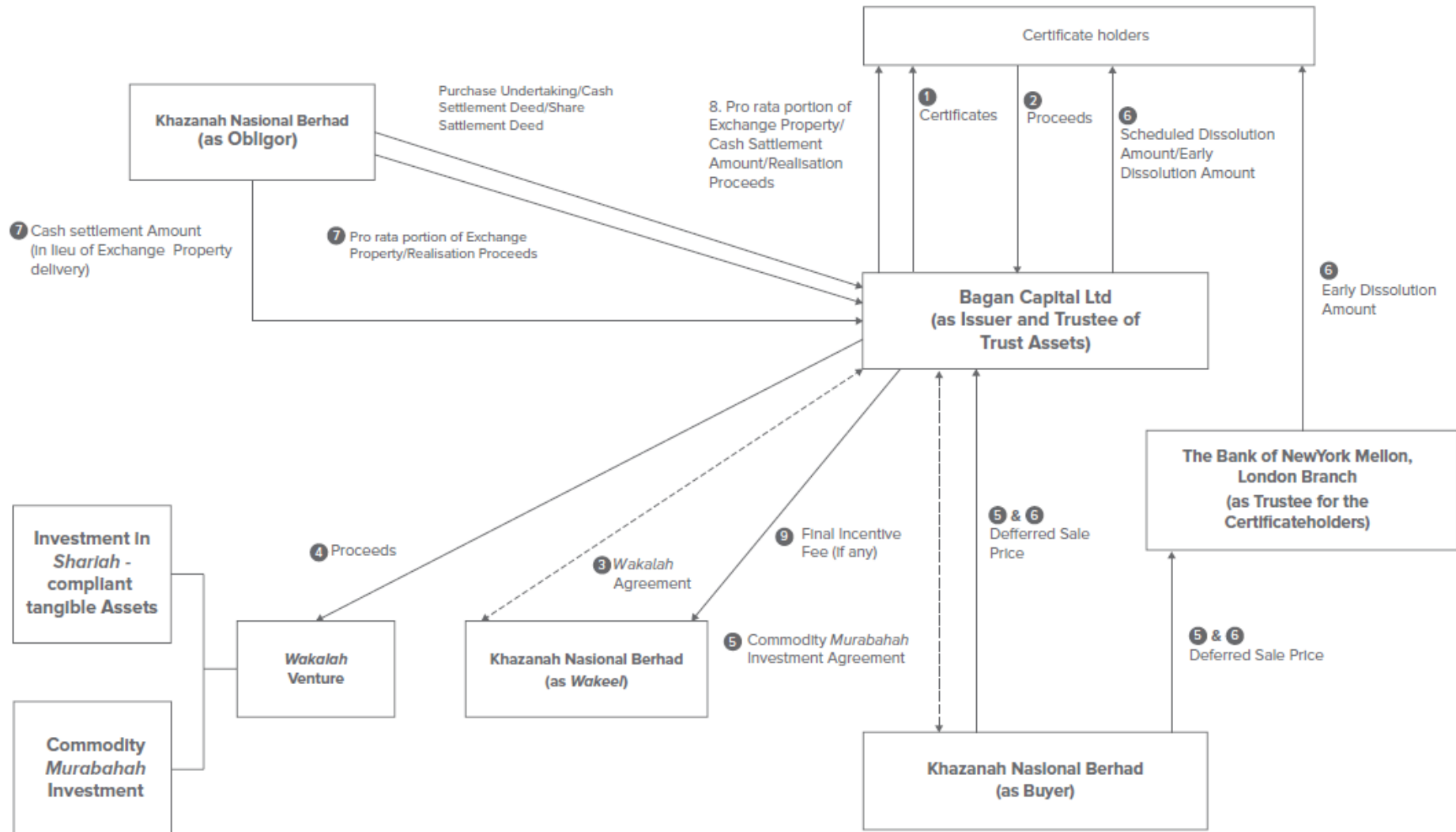
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SUKUK SUMMARY	
Issuer SPV	Bagan Capital Limited
Obligor	Khazanah Nasional Berhad
Wakeel	Khazanah Nasional Berhad
Structure type	Wakalah structure, exchangeable Sukuk
Issue size	USD 398.8 million
Issue Date	September 2016
Maturity date	September 2021
Tenor	Five years, with the option of early dissolution by the Issuer at the end of three years
Return	It is a zero coupon Sukuk
Fix or Variable	n/a
Return frequency	n/a
Pricing = Spread over mid-swaps,	Priced at 43% exchange premium
Book Runners	Bank of America Merrill Lynch, CIMB Islamic, Deutsche Bank
Listing	Labuan International Financial Exchange, Bursa Malaysia, Singapore Exchange
Rating	Not rated
ISIN	XS148656550
Governing Law	English and Malaysian law variously for various documents

SUKUK STRUCTURE AND CASH FLOWS



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Key Challenges In Sukuk Issuances



Key Challenges In Sukuk Issuances

- 1) Limited availability of tangible assets leads to over reliance on certain Sukuk structures
- 2) Asset title transfer law particularly for sovereign assets
- 3) Investor's preference and risk appetite tilted towards balance-sheet risk rather than direct risk on a tangible asset
- 4) Tax Neutrality
- 5) Quasi Sovereign Sukuk Implicit and Explicit Government Guarantee
- 6) Currency & Rate of Return risk mitigation



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Islamic Hedging and its role in Sukuk Market Development



Islamic Hedging and its Role in Sukuk Market Development

IIFM-ISDA Hedging Standards

- Tahawwut (Hedging) Master Agreement
- Islamic Foreign Exchange Forward (IFX Forward)
- Islamic Cross-Currency Swap (ICRCS)
- Islamic Profit Rate Swap (IPRS)
- Islamic Credit Support Deed for Cash Collateral (VM)



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About IIFM



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About International Islamic Financial Market (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 plays its role in market unification by developing best practices at the global level and achieving Shari'ah harmonization through its efforts for creation of a robust, transparent and efficient Islamic finance industry. IIFM also contributes in creating industry awareness by organizing specialized seminars and technical workshops as well as publishing research reports.

IIFM was founded in 2002 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 as a neutral and non-profit organization. Besides the founding members, IIFM is also supported by certain regulatory and government bodies such as Indonesia Financial Services Authority, Dubai International Financial Centre Authority, Nasdaq Dubai, 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 participants.

IIFM was formed under Royal Decree No (23) Year 2002 of the Kingdom of Bahrain as a non-profit organization.



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Thank You

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