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# Global *Sukuk* Market Trends and Developments

IIFM Seminar on Islamic Financial Markets

Hosted by Labuan FSA and Labuan IBFC Inc.

Tuesday, 8<sup>th</sup> May 2018, InterContinental Kuala Lumpur

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Advisor, IIFM

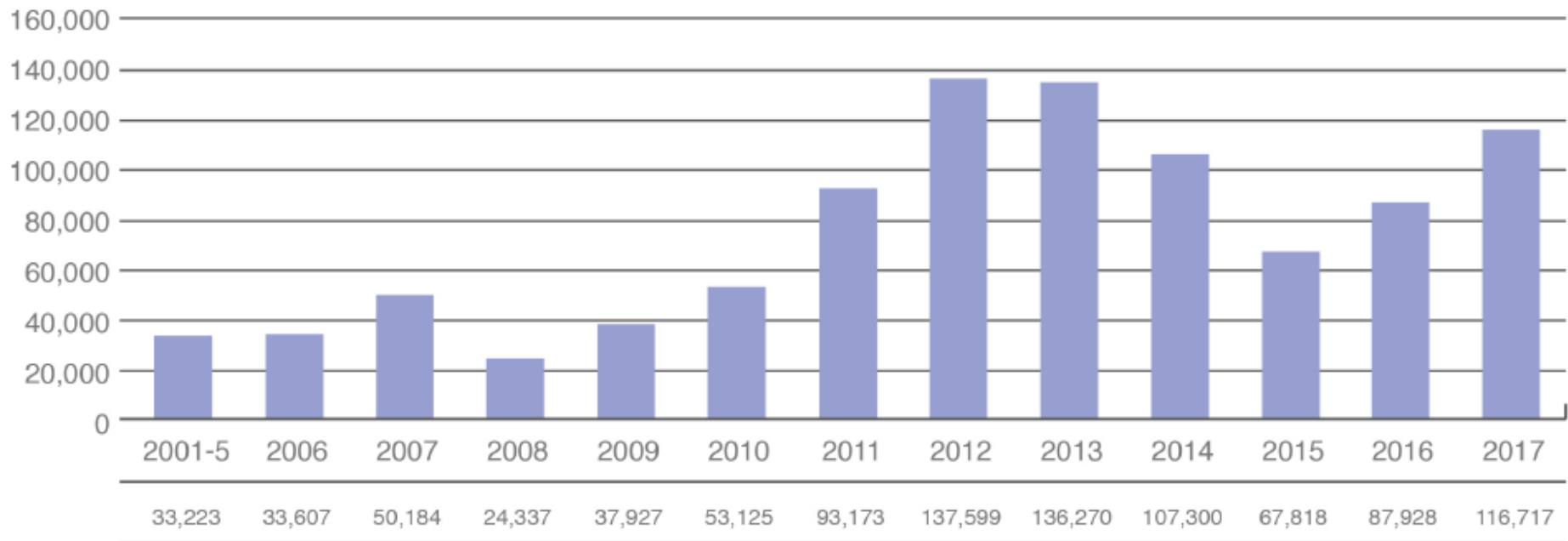


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# *Sukuk* Issuances



## Total GLOBAL Sukuk Issuances (Jan 2001 - Dec 2017) - All Tenors, All Currencies (in USD Millions)

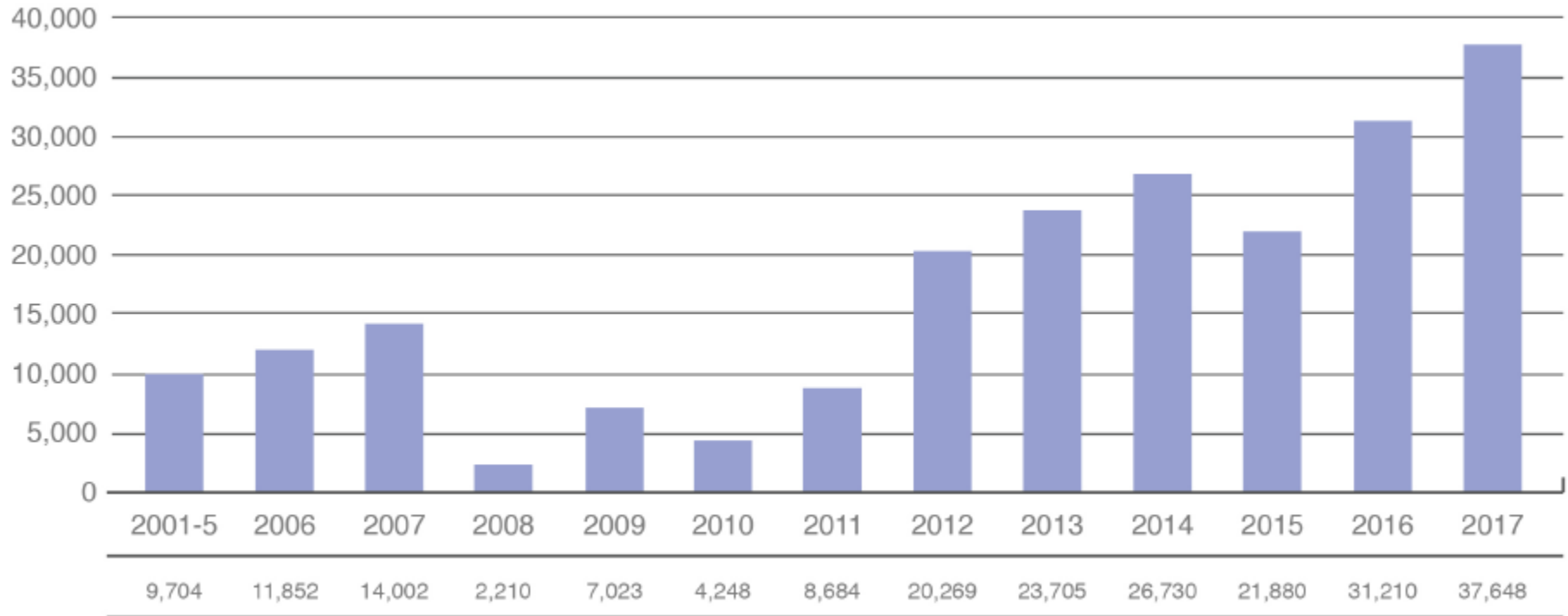


➤ **Total GLOBAL Sukuk Issuance USD 979,209 Millions**

Source: IIFM Sukuk Database



## Total INTERNATIONAL *Sukuk* Issuances (Jan 2001 - Dec 2017) - All Tenors, All Currencies (in USD Millions)

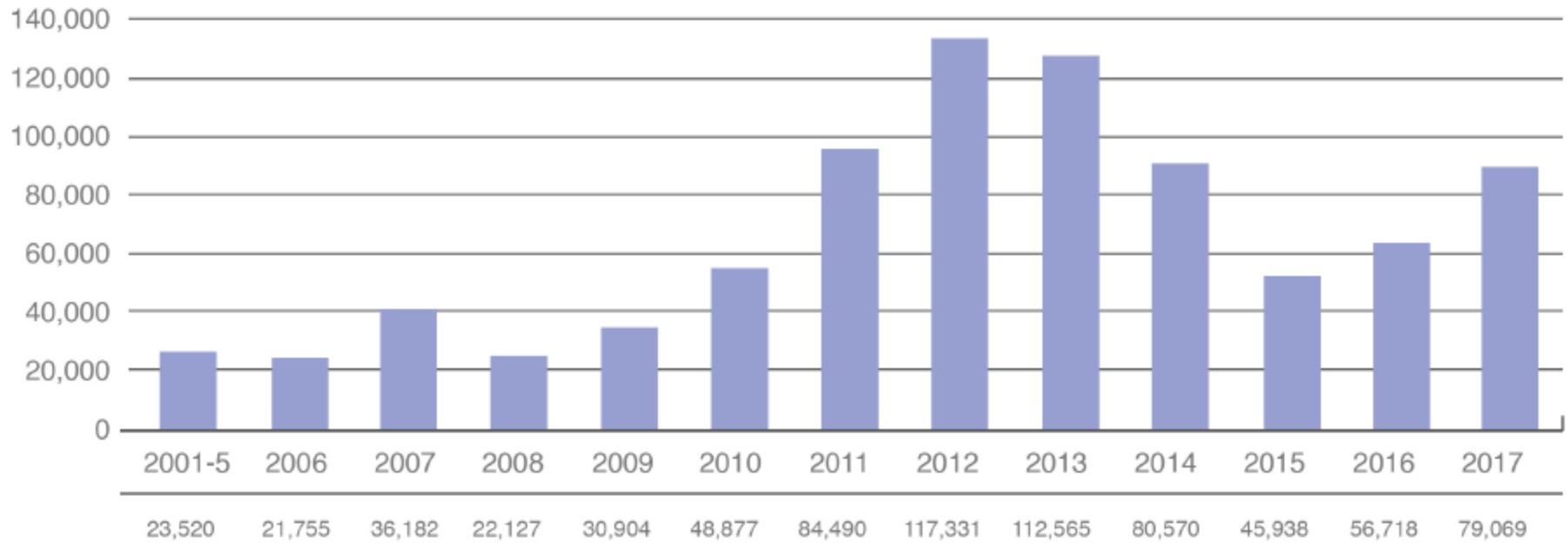


➤ **Total INTERNATIONAL *Sukuk* Issuance USD 219,165 Millions**

Source: IIFM *Sukuk* Database



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



➤ **Total DOMESTIC *Sukuk* Issuance USD 760,044 Millions**

Source: IIFM *Sukuk* Database

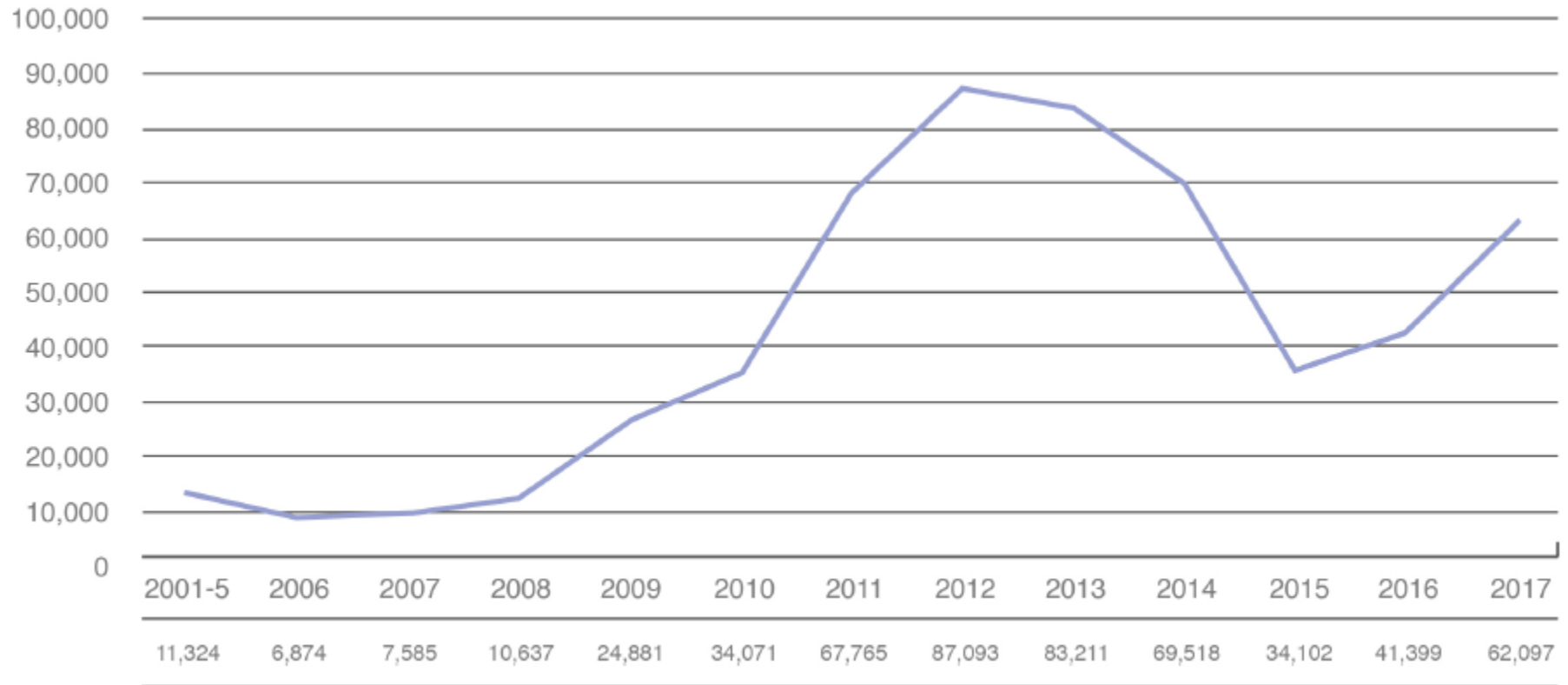


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# Breakdown by Issuer Status



## Total GLOBAL SOVEREIGN *Sukuk* Issuances (Jan2001-Dec2017) - All Tenors, All Currencies (in USD Millions)

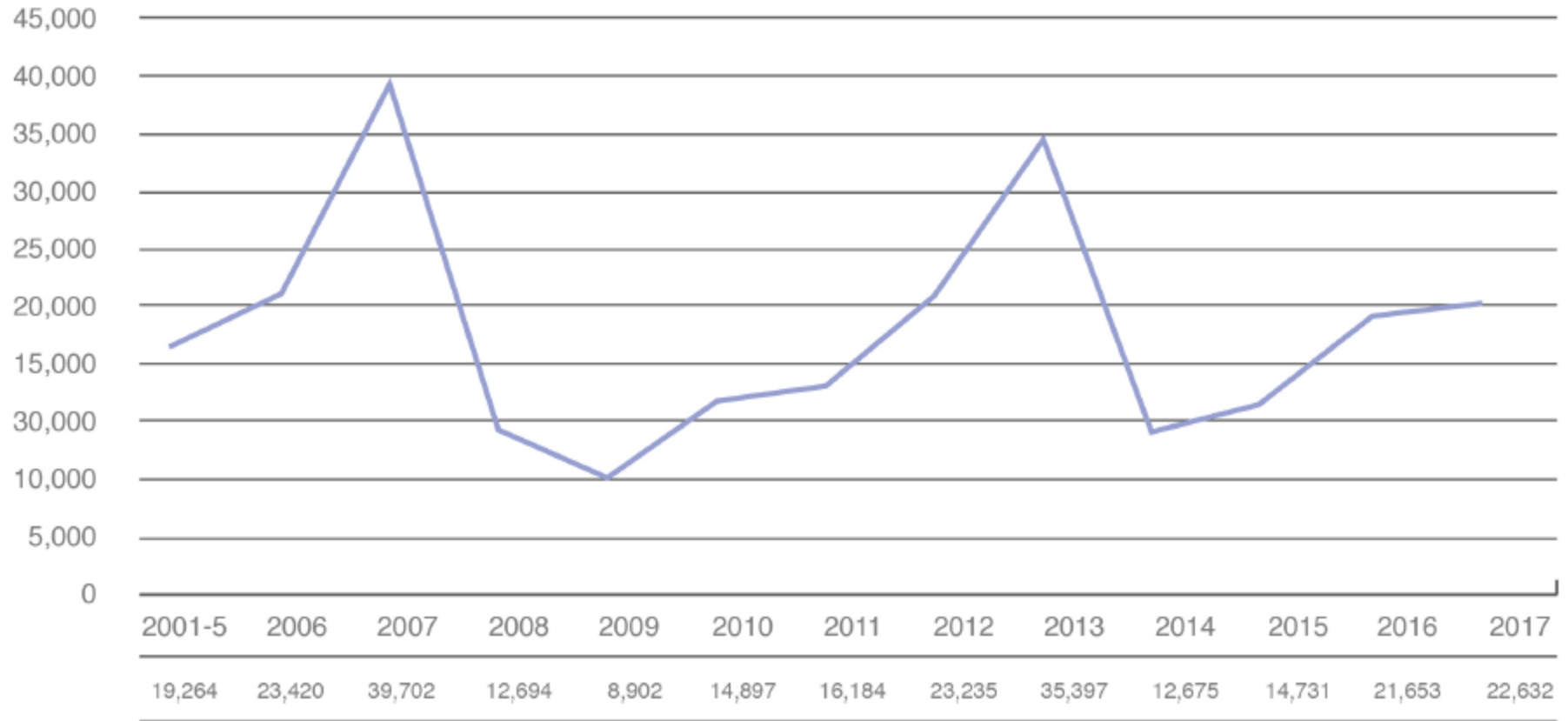


➤ **Total GLOBAL SOVEREIGN *Sukuk* Issuances USD 540,556 Millions**

Source: IIFM *Sukuk* Database



## Total GLOBAL CORPORATE *Sukuk* Issuances (Jan2001-Dec2017) - All Tenors, All Currencies (in USD Millions)



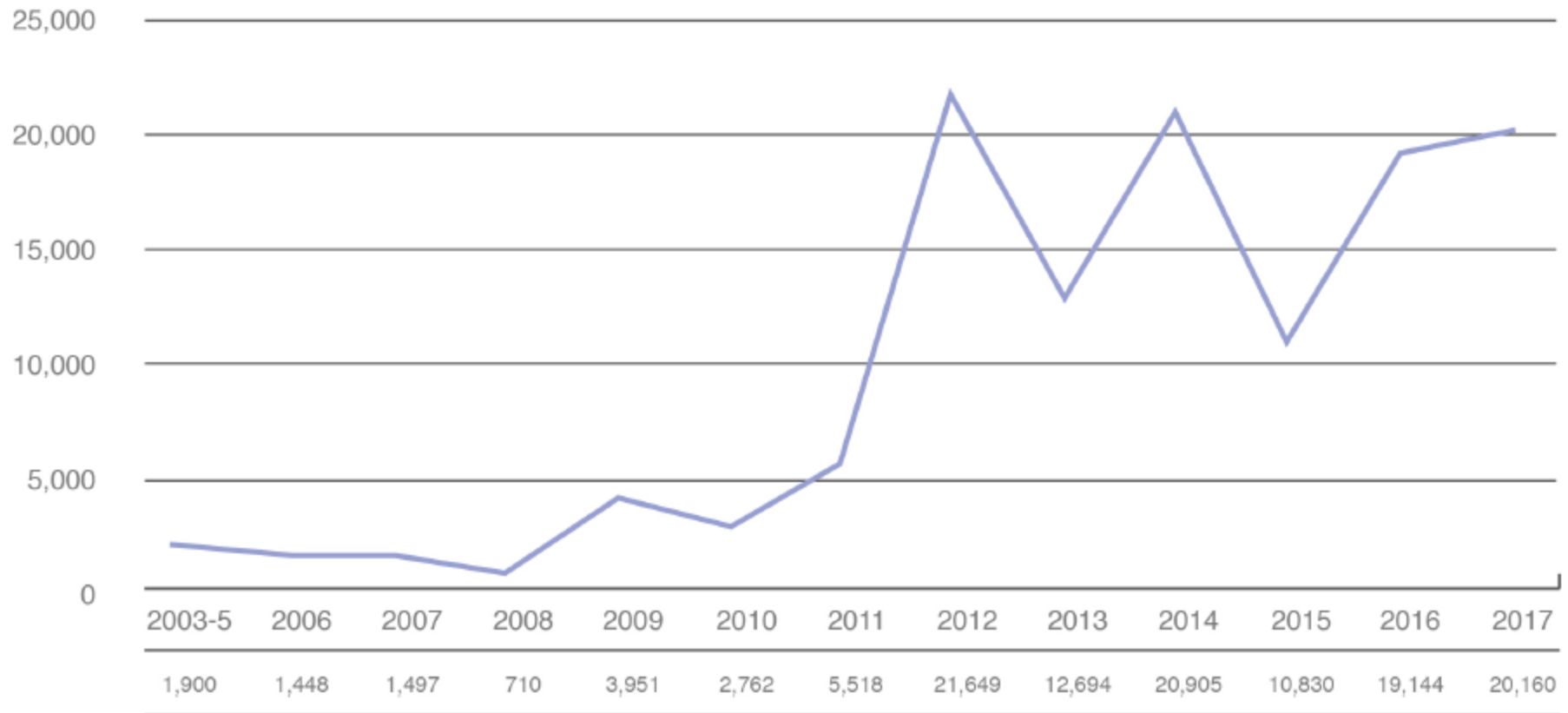
➤ **Total GLOBAL CORPORATE *Sukuk* Issuances USD 265,386 Millions**

Source: IIFM *Sukuk* Database





## Total GLOBAL QUASI-SOVEREIGN *Sukuk* Issuances (Jan2001-Dec2017) - All Tenors, All Currencies (in USD Millions)

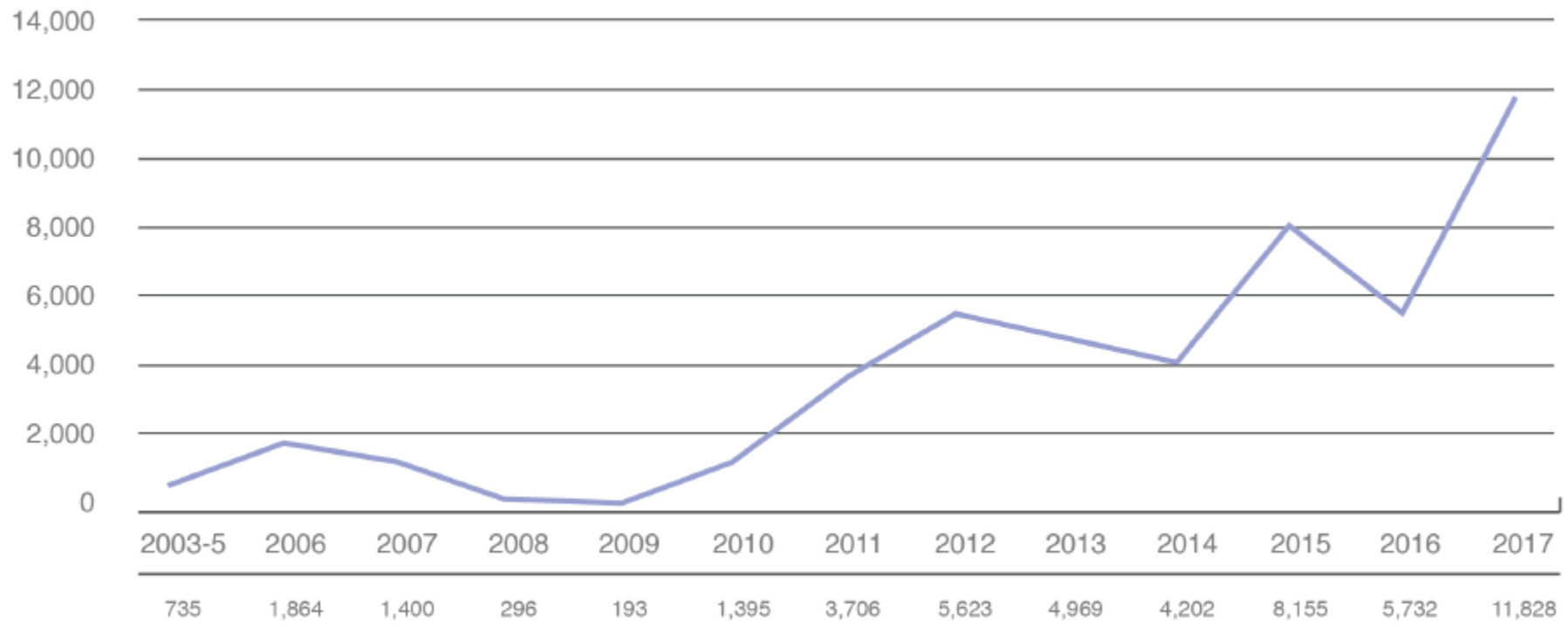


➤ Total GLOBAL QUASI SOVEREIGN *Sukuk* Issuances USD 123,168 Millions

Source: IIFM *Sukuk* Database



## Total GLOBAL FINANCIAL INSTITUTION *Sukuk* Issuances (Jan2001-Dec2017) - All Tenors, All Currencies (in USD Millions)

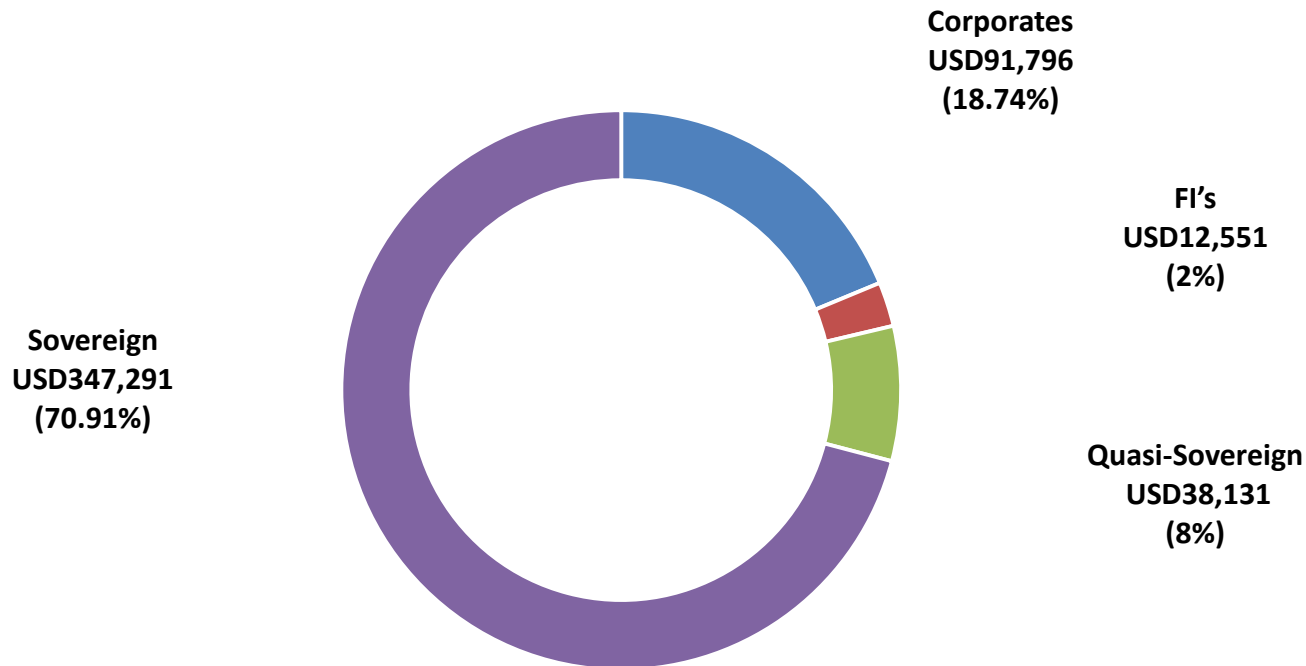


➤ **Total GLOBAL FINANCIAL INSTITUTION *Sukuk* Issuances USD 50,098 Millions**

Source: IIFM *Sukuk* Database



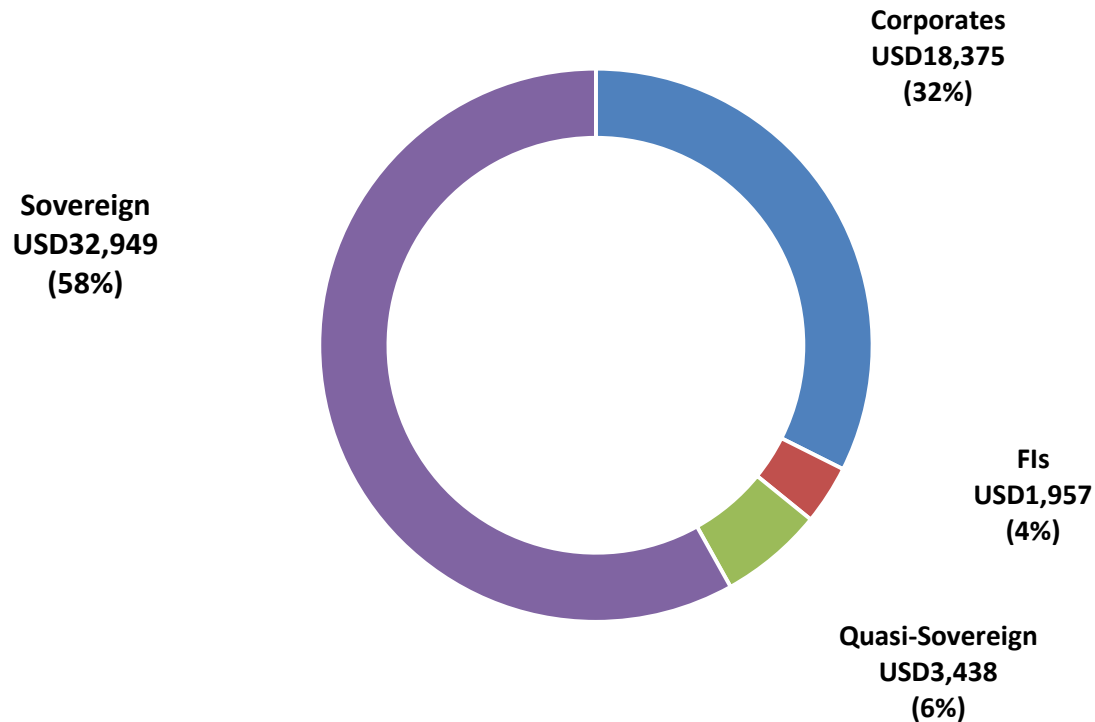
## DOMESTIC *Sukuk* Issuances by Issuer Status (Jan2010-Dec2015) - All Tenors, All Currencies (in USD Millions)



Source: IIFM *Sukuk* Database



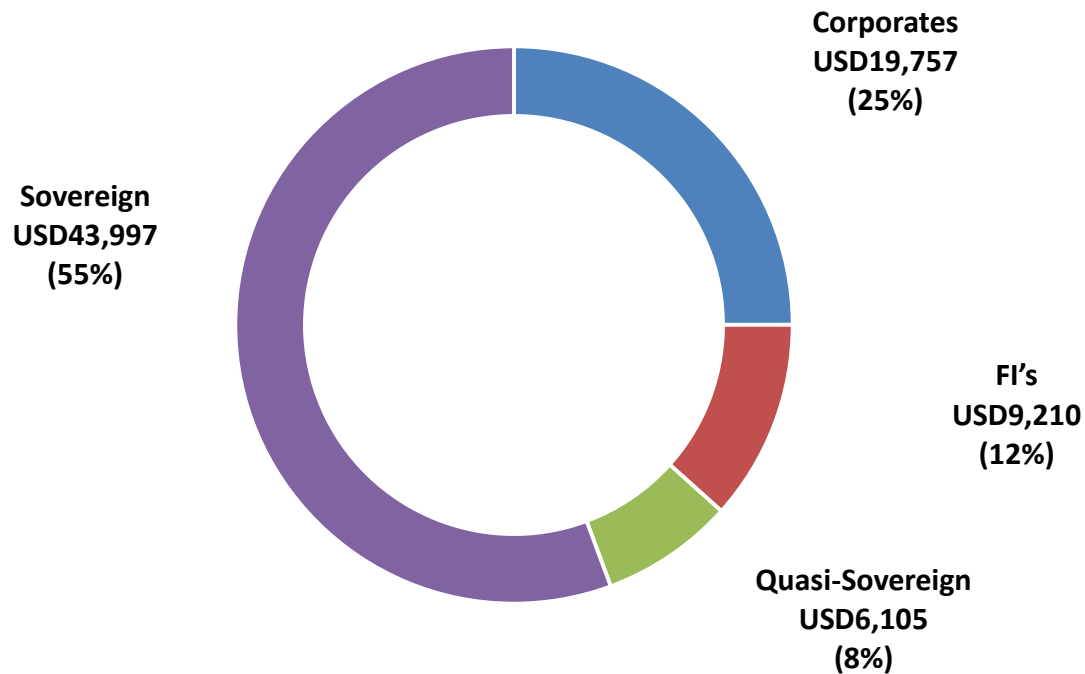
## DOMESTIC *Sukuk* Issuances by Issuer Status (Jan2016-Dec2016) - All Tenors, All Currencies (in USD Millions) *continued*



Source: IIFM *Sukuk* Database



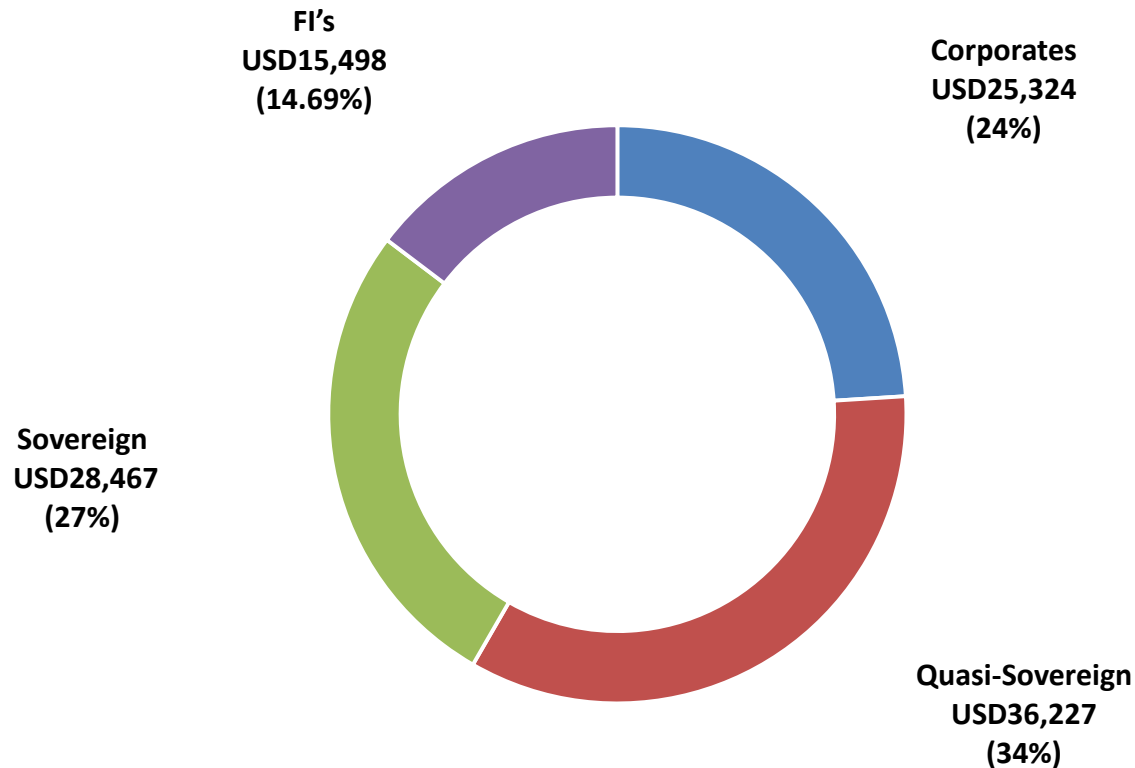
## DOMESTIC *Sukuk* Issuances by Issuer Status (Jan2017-Dec2017) - All Tenors, All Currencies (in USD Millions) *continued*



Source: IIFM *Sukuk* Database



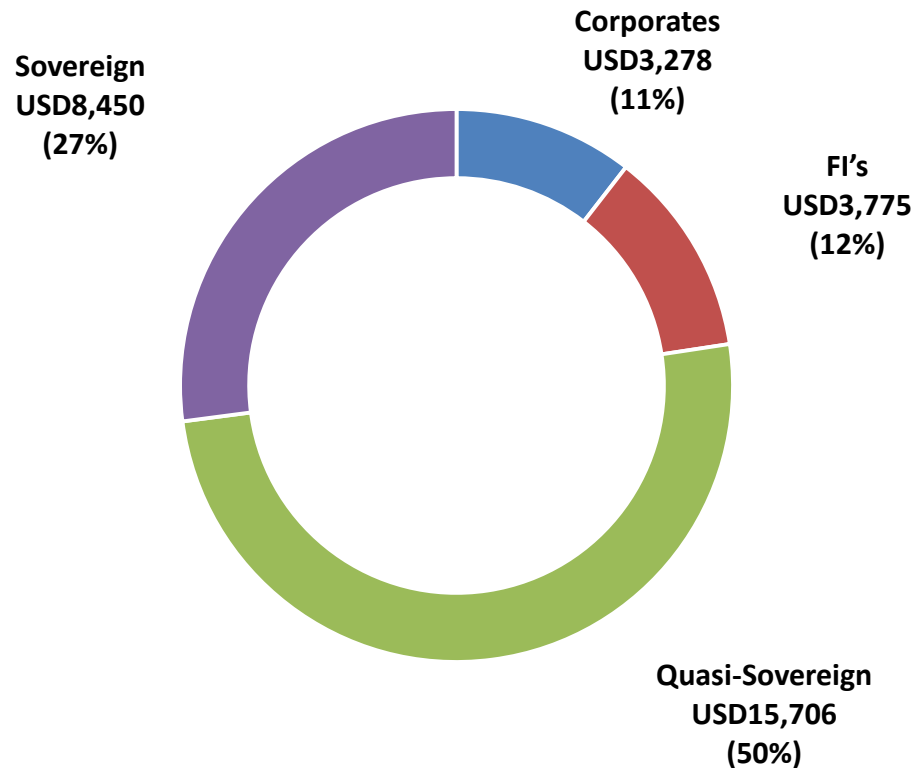
## INTERNATIONAL *Sukuk* Issuances by Issuer Status (Jan2010-Dec2015) - All Tenors, All Currencies (in USD Millions)



Source: IIFM *Sukuk* Database



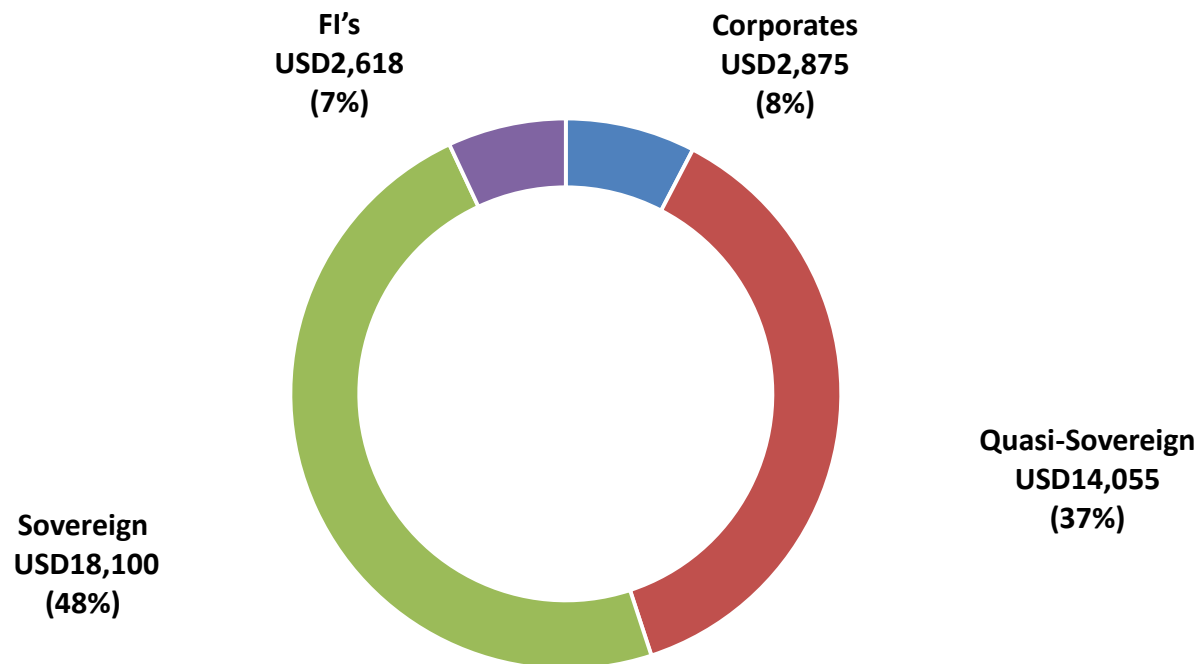
## INTERNATIONAL *Sukuk* Issuances by Issuer Status (Jan2016-Dec2016) - All Tenors, All Currencies (in USD Millions) *continued*



Source: IIFM *Sukuk* Database



## INTERNATIONAL *Sukuk* Issuances by Issuer Status (Jan2017-Dec2017) - All Tenors, All Currencies (in USD Millions) *continued*



Source: IIFM *Sukuk* Database





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# Country wise Breakdown



## Regional Break-up of GLOBAL Sukuk Issuances (Jan2001-Dec2017)

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Bangladesh	4	37	0.004%
Brunei Darussalam	149	9,583	0.98%
China	1	97	0.01%
Hong Kong	5	3,196	0.33%
Indonesia	244	62,816	6.41%
Iran	1	144	0.01%
Japan	3	190	0.02%
Malaysia	5,711	612,305	62.53%
Maldives	1	3	0.0003%
Pakistan	83	15,930	1.63%
Singapore	16	1,498	0.15%
Sri Lanka	1	3	0.0003%
<b>Total</b>	<b>6,219</b>	<b>705,802</b>	<b>72.1%</b>
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	392	27,720	2.83%
Jordan	3	272	0.03%
Kuwait	18	3,658	0.37%
Oman	7	3,523	0.36%
Qatar	30	25,851	2.64%
Saudi Arabia	122	95,215	9.72%
United Arab Emirates	110	71,895	7.34%
Yemen	2	253	0.03%
<b>Total</b>	<b>684</b>	<b>228,387</b>	<b>23.3%</b>

Source: IIFM Sukuk Database



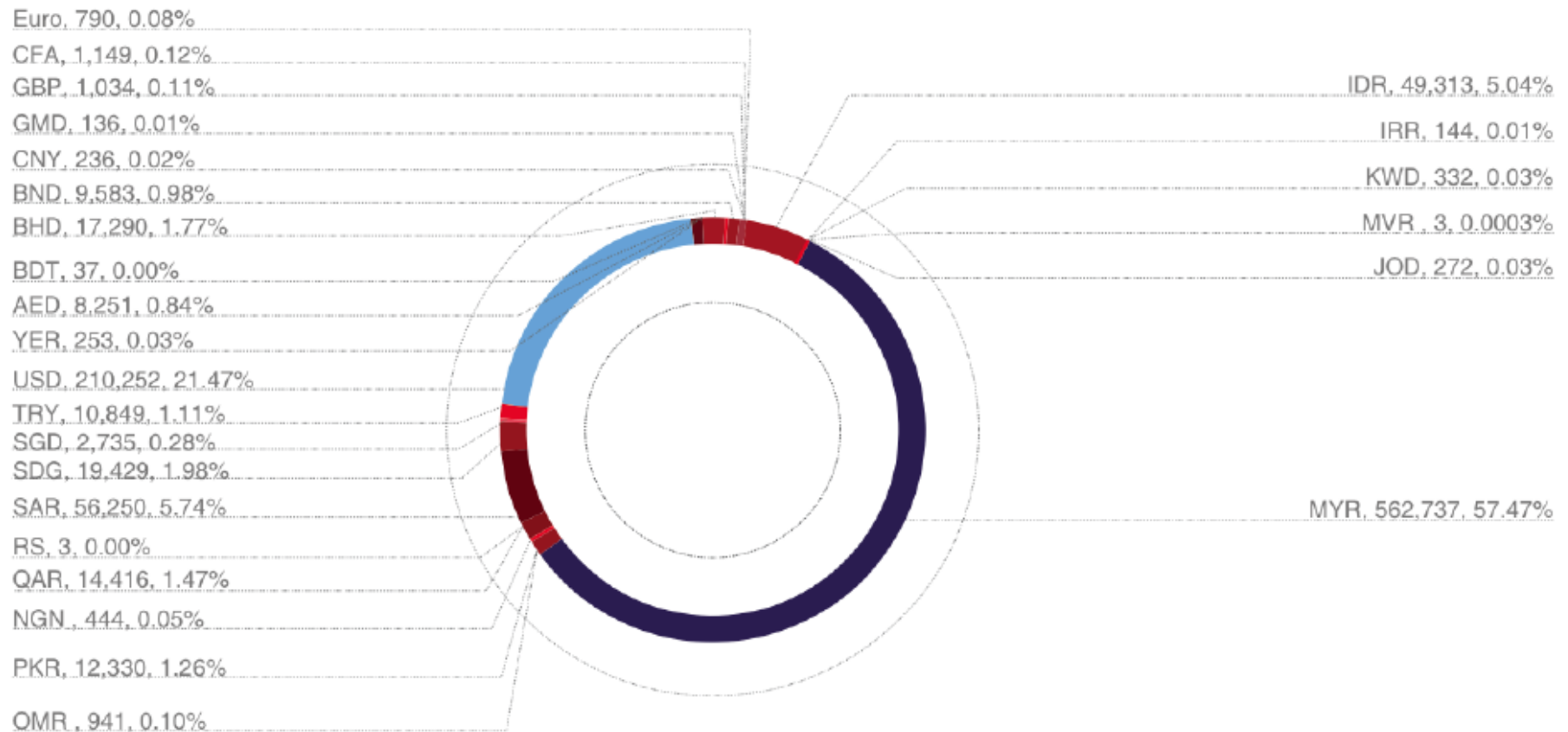
## Regional Break-up of GLOBAL Sukuk Issuances (Jan2001-Dec2017)

AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Gambia	210	136	0.01%
Ivory Coast	2	460	0.05%
Nigeria	4	594	0.06%
Senegal	2	445	0.05%
South Africa	1	500	0.05%
Sudan	30	19,559	2.00%
Togo	1	245	0.02%
<b>Total</b>	<b>250</b>	<b>21,938</b>	<b>2.2%</b>
EUROPE & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
France	1	1	0.0001%
Germany	3	206	0.0211%
Luxembourg	3	280	0.0286%
Turkey	183	19,783	2.02%
United Kingdom	9	1,368	0.14%
USA	5	1,367	0.14%
Kazakhstan	1	77	0.01%
<b>Total</b>	<b>205</b>	<b>23,082</b>	<b>2.36%</b>
<b>Grand Total</b>	<b>7,358</b>	<b>979,209</b>	<b>100%</b>

Source: IIFM Sukuk Database



## GLOBAL Sukuk Issuances Currency Breakdown (Jan 2001 - Dec 2017) - All Tenors (in USD Millions)



Source: IIFM Sukuk Database



## Regional Break-up of INTERNATIONAL Sukuk Issuances (Jan2017-Dec2017)

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Hong Kong	1	1,000	2.66%
Indonesia	2	3,000	7.97%
Malaysia	17	9,970	26.48%
Pakistan	1	1,000	2.66%
<b>Total</b>	<b>21</b>	<b>14,970</b>	<b>39.8%</b>
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	2	1,250	3.32%
Kuwait	2	750	1.99%
Oman	1	2,000	5.31%
Qatar	2	1,250	3.32%
Saudi Arabia	6	12,510	33.23%
United Arab Emirates	6	3,400	9.03%
<b>Total</b>	<b>19</b>	<b>21,160</b>	<b>56.2%</b>
AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Nigeria	1	150	0.40%
<b>Total</b>	<b>1</b>	<b>150</b>	<b>0.4%</b>
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
Turkey	2	1,368	3.63%
<b>Total</b>	<b>2</b>	<b>1,368</b>	<b>3.63%</b>
<b>Grand Total</b>	<b>43</b>	<b>37,648</b>	<b>100%</b>

Source: IIFM Sukuk Database



## Regional Break-up of DOMESTIC Sukuk Issuances (Jan2017-Dec2017)

ASIA & FAR EAST	Number of Issues	Amount USD Millions	% of Total Value
Brunei Darussalam	12	754	0.95%
Indonesia	33	11,366	14.35%
Malaysia	515	42,170	53.24%
Pakistan	8	324	0.41%
Singapore	2	144	0.18%
<b>Total</b>	<b>570</b>	<b>54,757</b>	<b>69.1%</b>
GCC & MIDDLE EAST	Number of Issues	Amount USD Millions	% of Total Value
Bahrain	24	2,412	3.04%
Oman	1	116	0.15%
Saudi Arabia	21	19,221	24.27%
<b>Total</b>	<b>46</b>	<b>21,749</b>	<b>27.5%</b>
AFRICA	Number of Issues	Amount USD Millions	% of Total Value
Nigeria	1	312	0.39%
Sudan	2	181	0.23%
<b>Total</b>	<b>3</b>	<b>493</b>	<b>0.6%</b>
Europe & OTHERS	Number of Issues	Amount USD Millions	% of Total Value
Turkey	65	2,214	2.80%
<b>Total</b>	<b>65</b>	<b>2,214</b>	<b>2.80%</b>
<b>Grand Total</b>	<b>684</b>	<b>79,213</b>	<b>100%</b>

Source: IIFM Sukuk Database

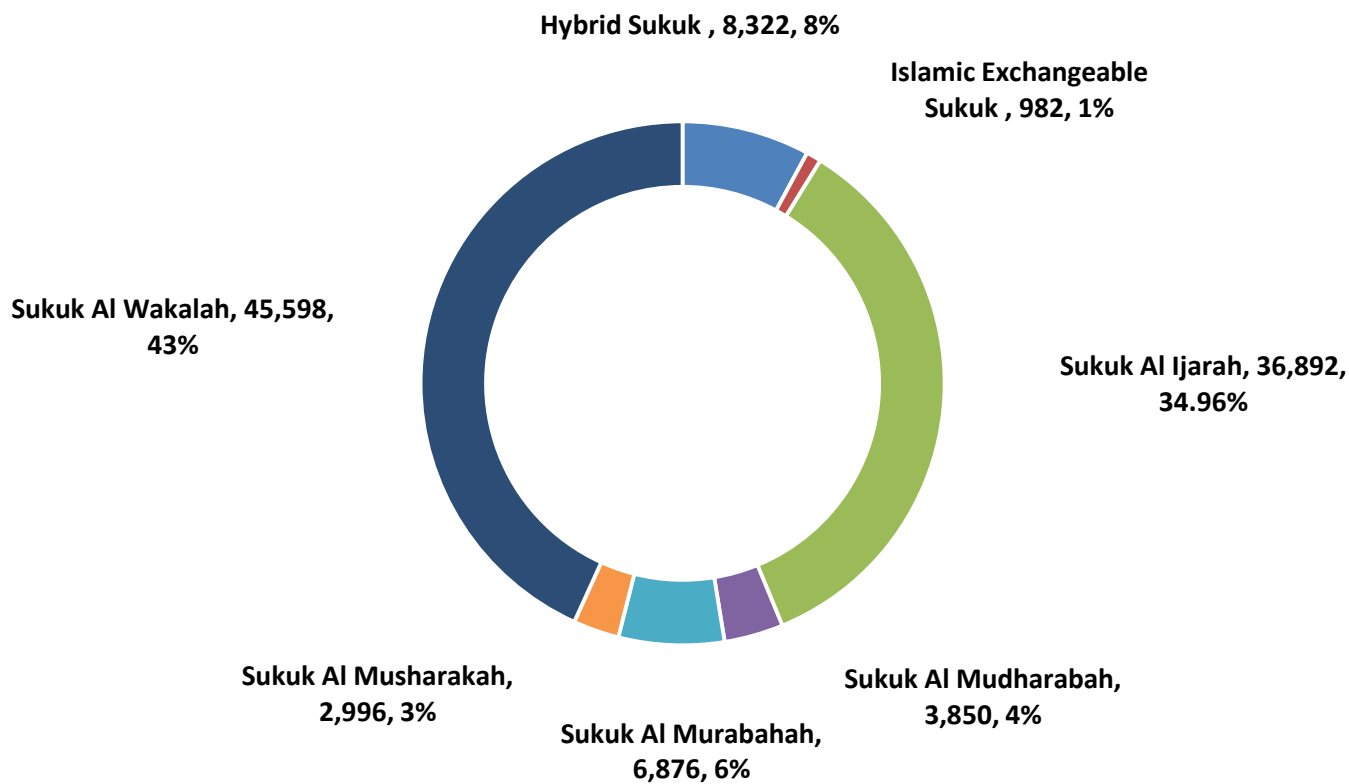


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# Breakdown by Structure



## Structural Break-up of INTERNATIONAL Sukuk Issuances (Jan2010-Dec2015) - All Tenors (in USD Millions)

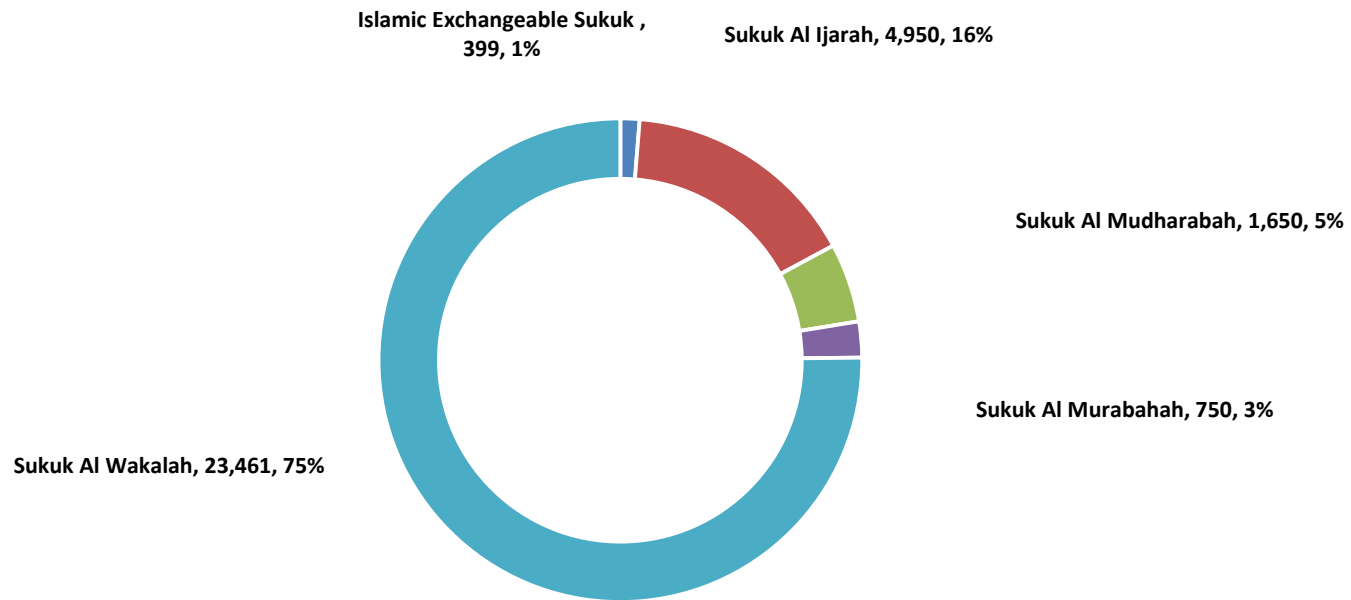


Source: IIFM Sukuk Database





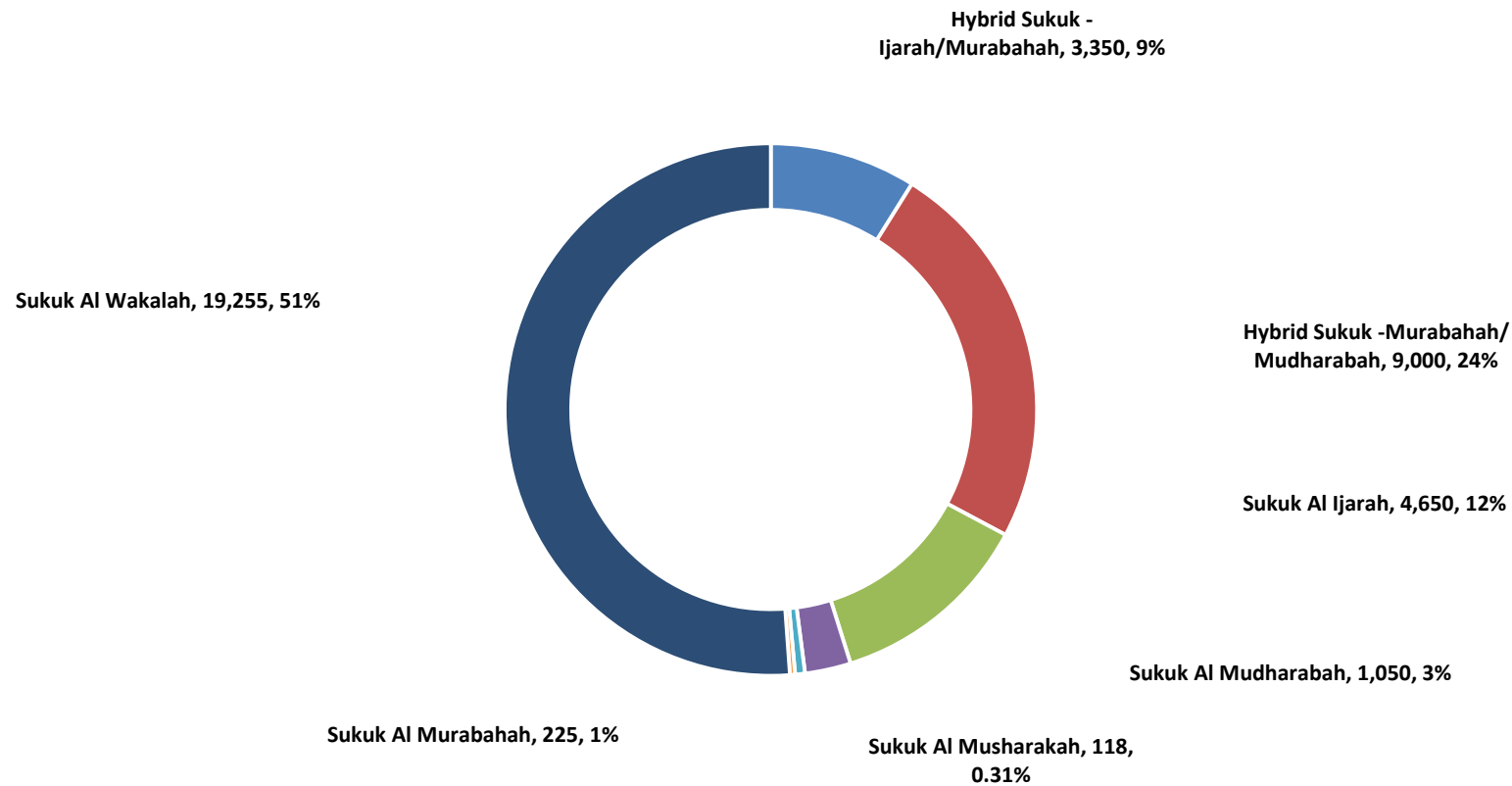
## Structural Break-up of INTERNATIONAL *Sukuk* Issuances (Jan2016-Dec2016) - All Tenors (in USD Millions) *continued*



Source: IIFM *Sukuk* Database



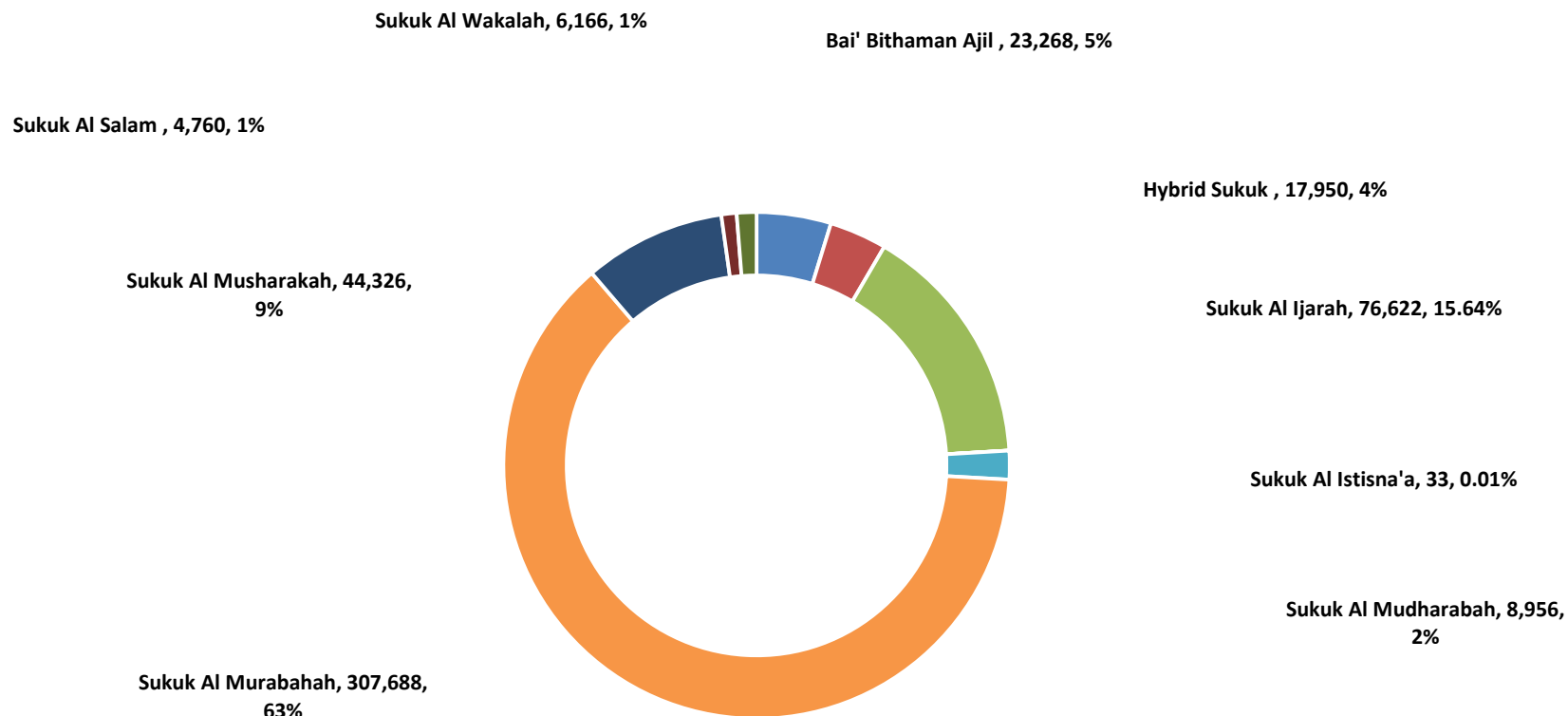
## Structural Break-up of INTERNATIONAL Sukuk Issuances (Jan2017-Dec2017) - All Tenors (in USD Millions) *continued*



Source: IIFM Sukuk Database



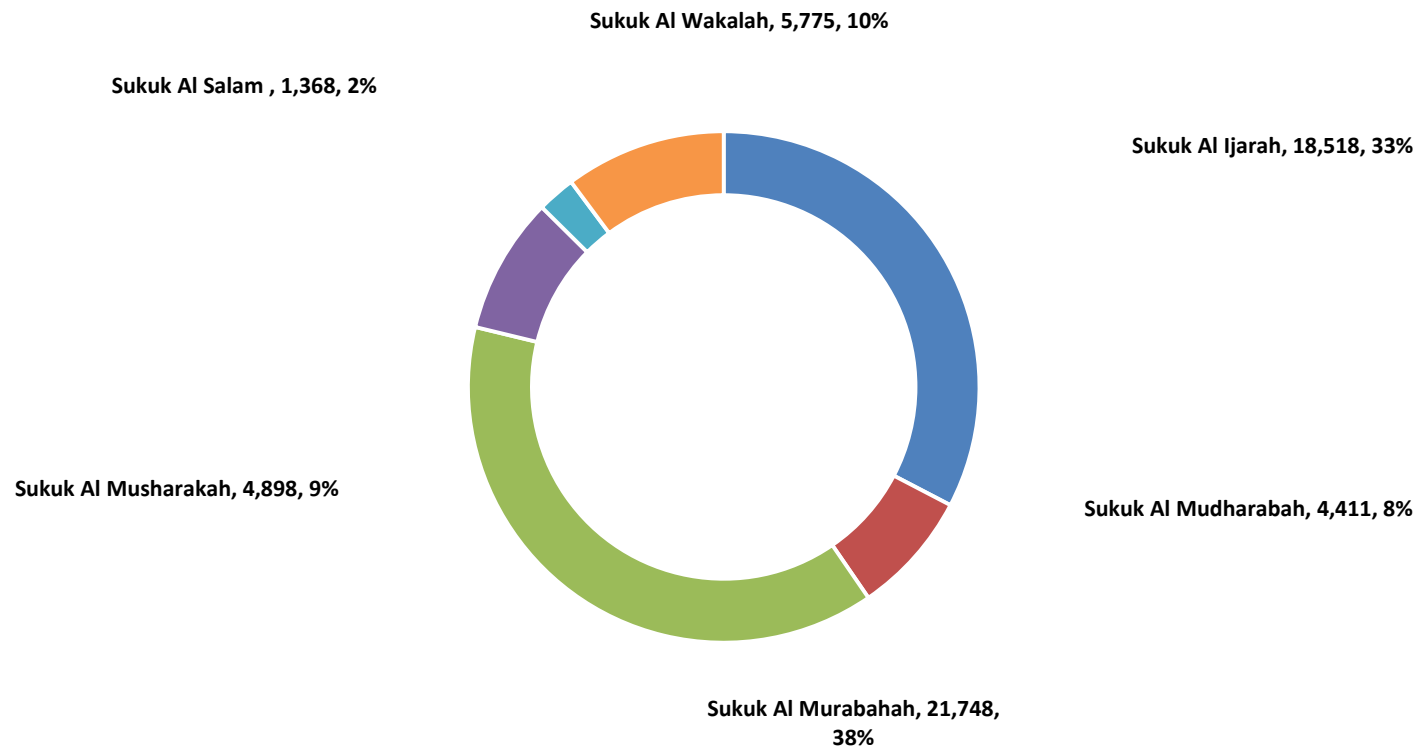
## Structural Break-up of DOMESTIC Sukuk Issuances (Jan2010-Dec2015) - All Tenors (in USD Millions)



Source: IIFM Sukuk Database



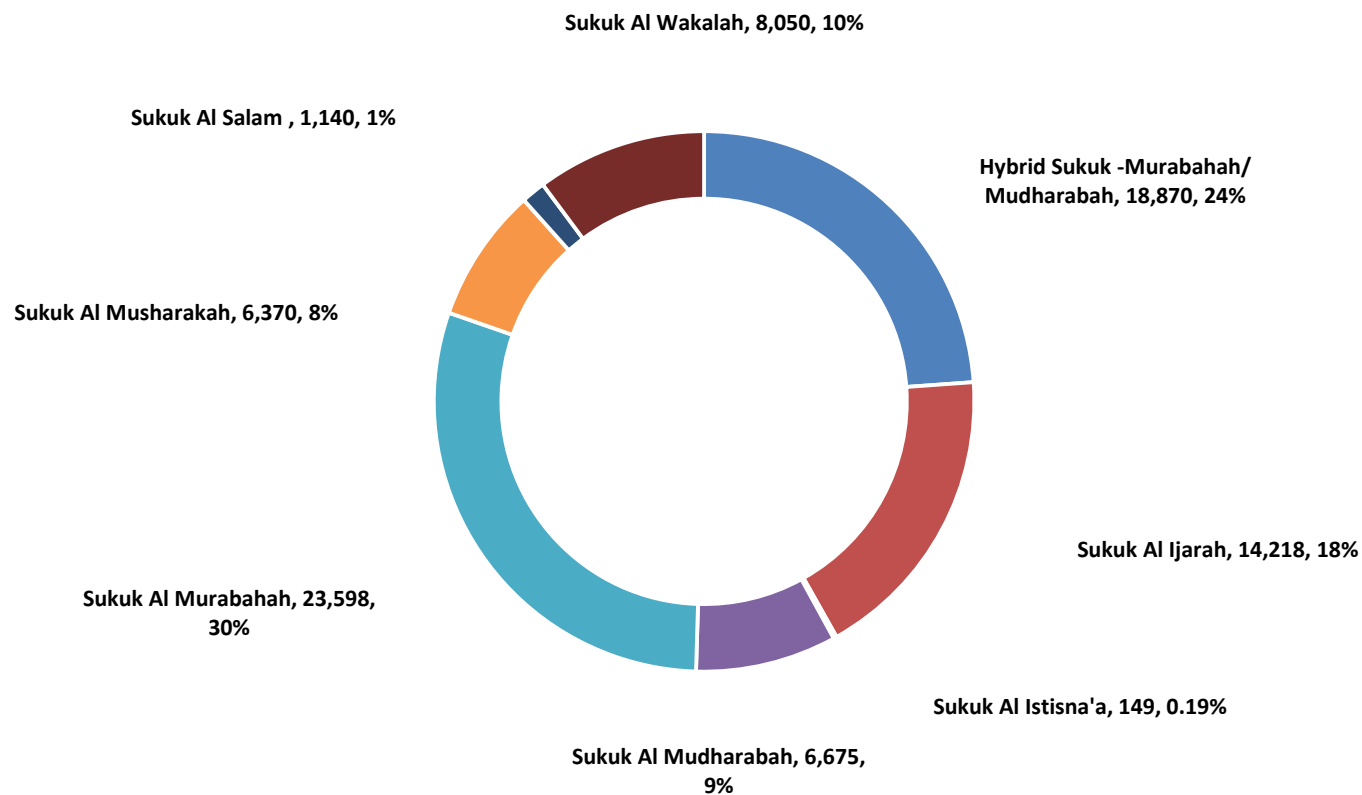
## Structural Break-up of DOMESTIC Sukuk Issuances (Jan2016-Dec2016) - All Tenors (in USD Millions) *continued*



Source: IIFM Sukuk Database



## Structural Break-up of DOMESTIC Sukuk Issuances (Jan2017-Dec2017) - All Tenors (in USD Millions) *continued*



Source: IIFM Sukuk Database

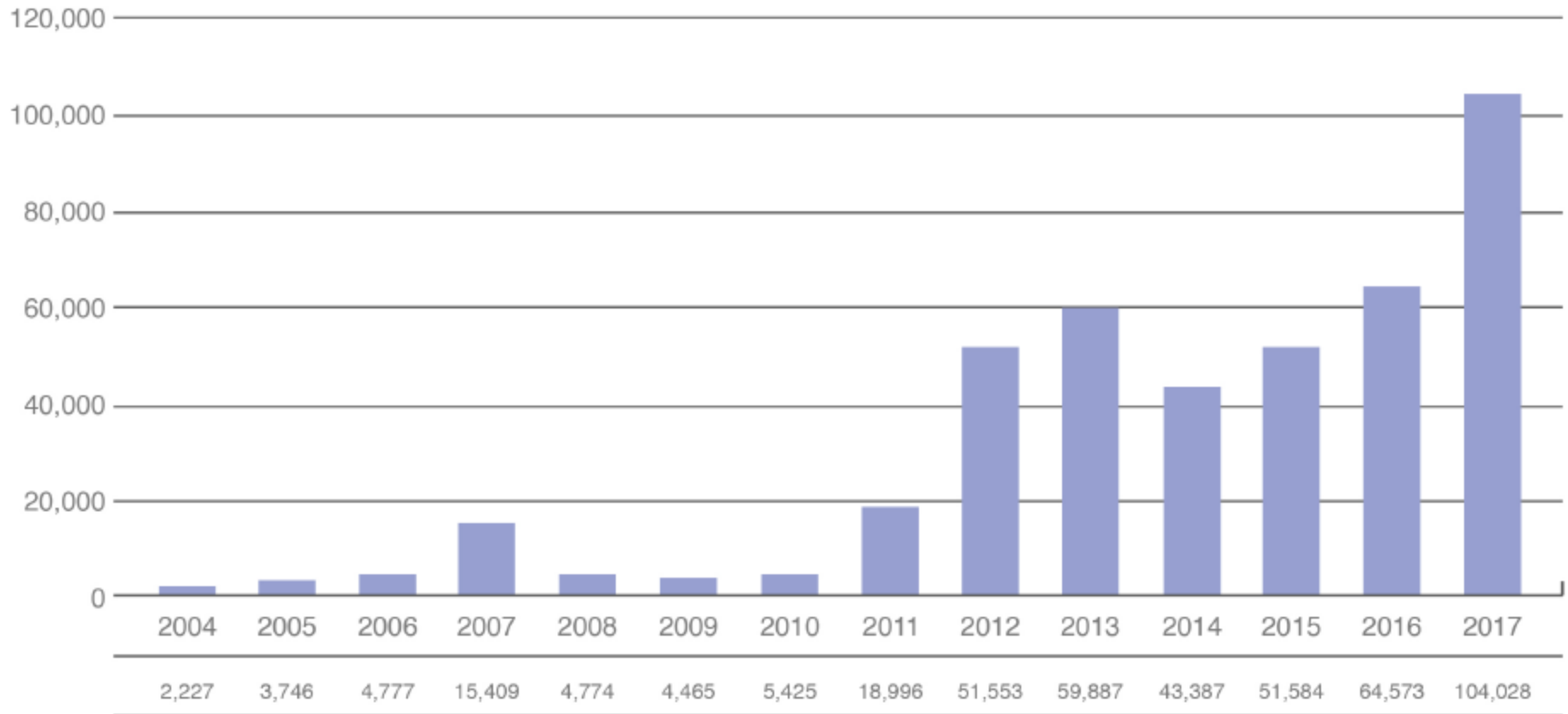


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# *Sukuk* Outstanding



## Total GLOBAL *Sukuk* Outstanding as of 31<sup>st</sup> Dec 2017

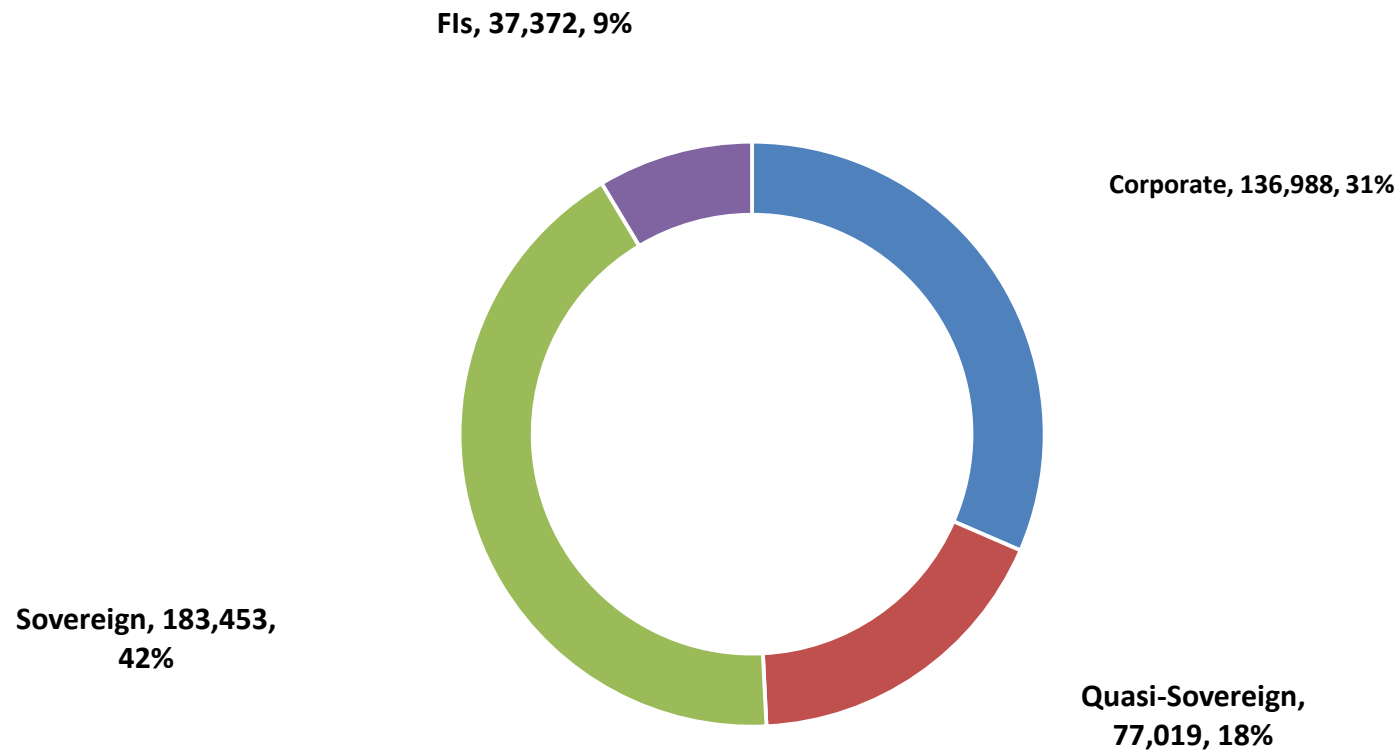


➤ **Total GLOBAL *Sukuk* Outstanding USD 434,833 Millions**

Source: IIFM *Sukuk* Database



## Total GLOBAL *Sukuk* Outstanding by Issuer Status as of 31<sup>st</sup> Dec 2017

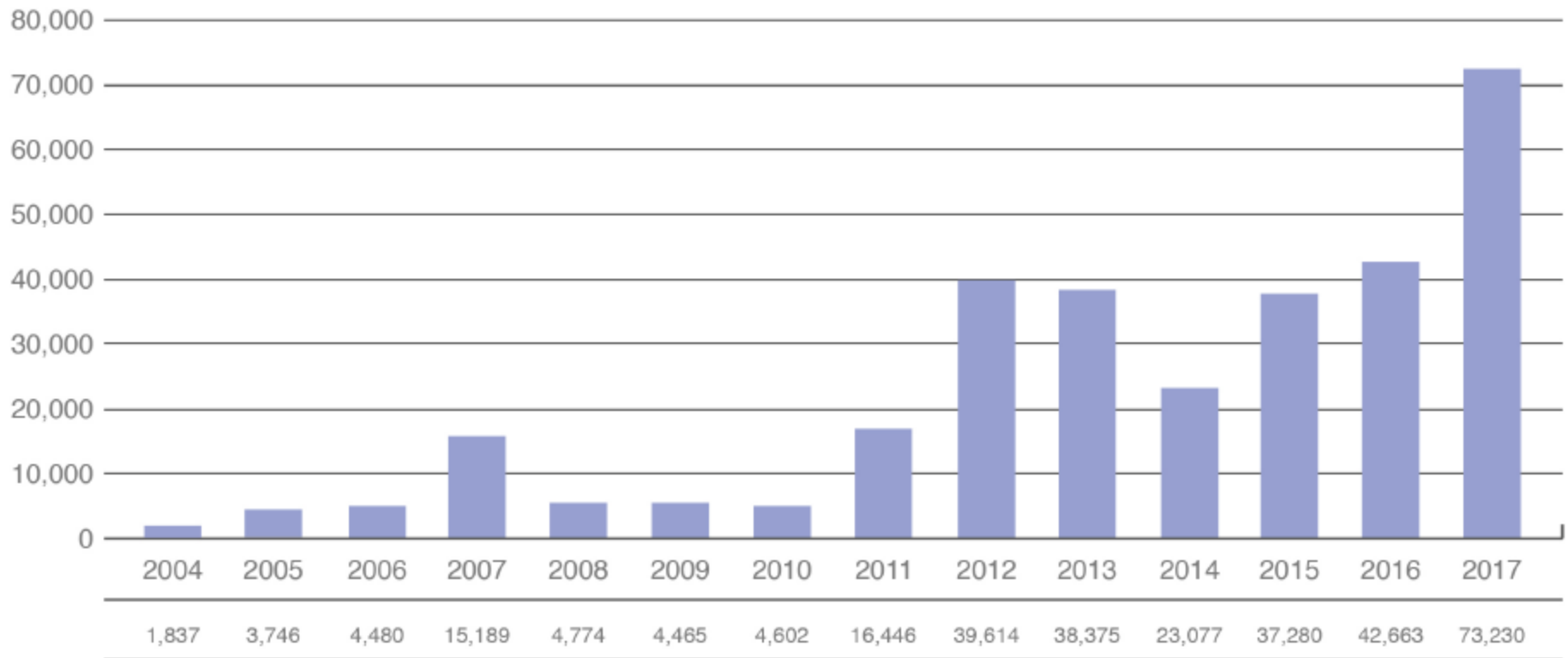


Source: IIFM *Sukuk* Database





## Total DOMESTIC *Sukuk* Outstanding as of 31<sup>st</sup> Dec 2017

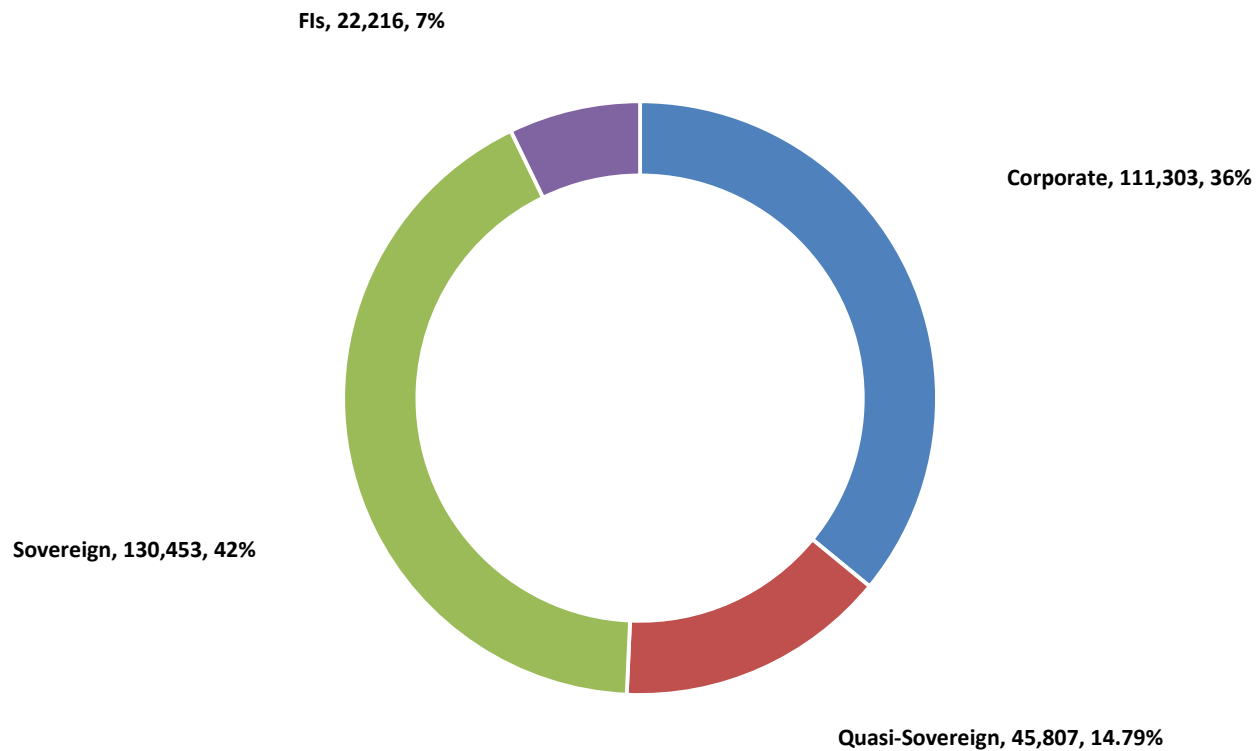


➤ Total DOMESTIC *Sukuk* outstanding USD 309,779 Millions

Source: IIFM *Sukuk* Database



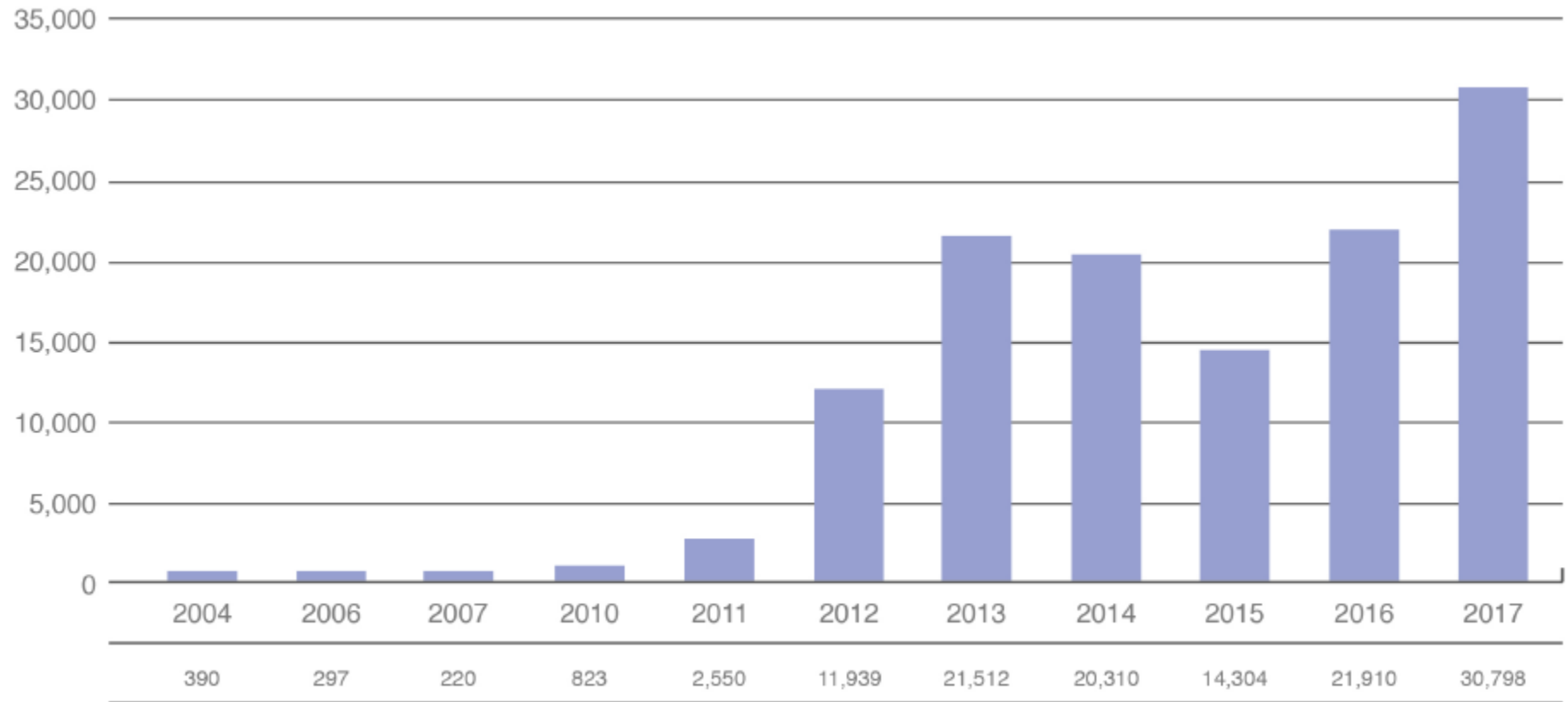
## Total DOMESTIC Sukuk Outstanding by Issuer Status as of 31<sup>st</sup> Dec 2017



Source: IIFM Sukuk Database



## Total INTERNATIONAL *Sukuk* Outstanding as of 31<sup>st</sup> Dec 2017

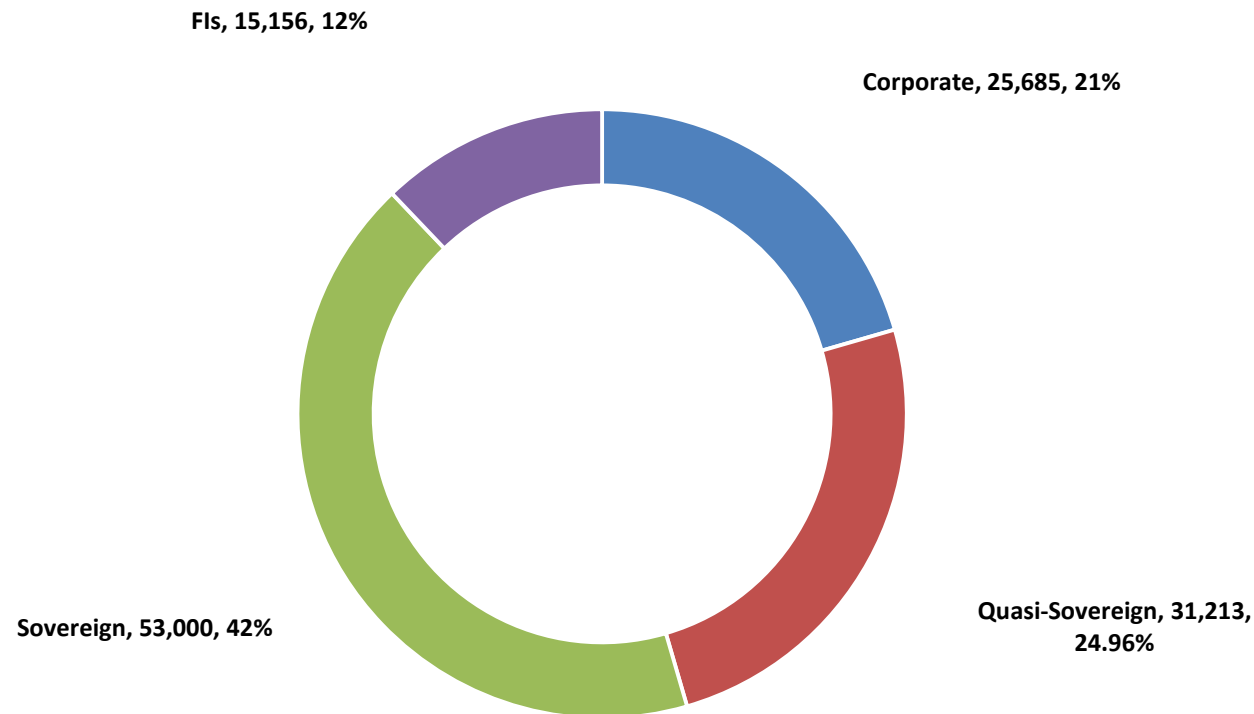


➤ Total International *Sukuk* outstanding USD 125,054 Millions

Source: IIFM *Sukuk* Database



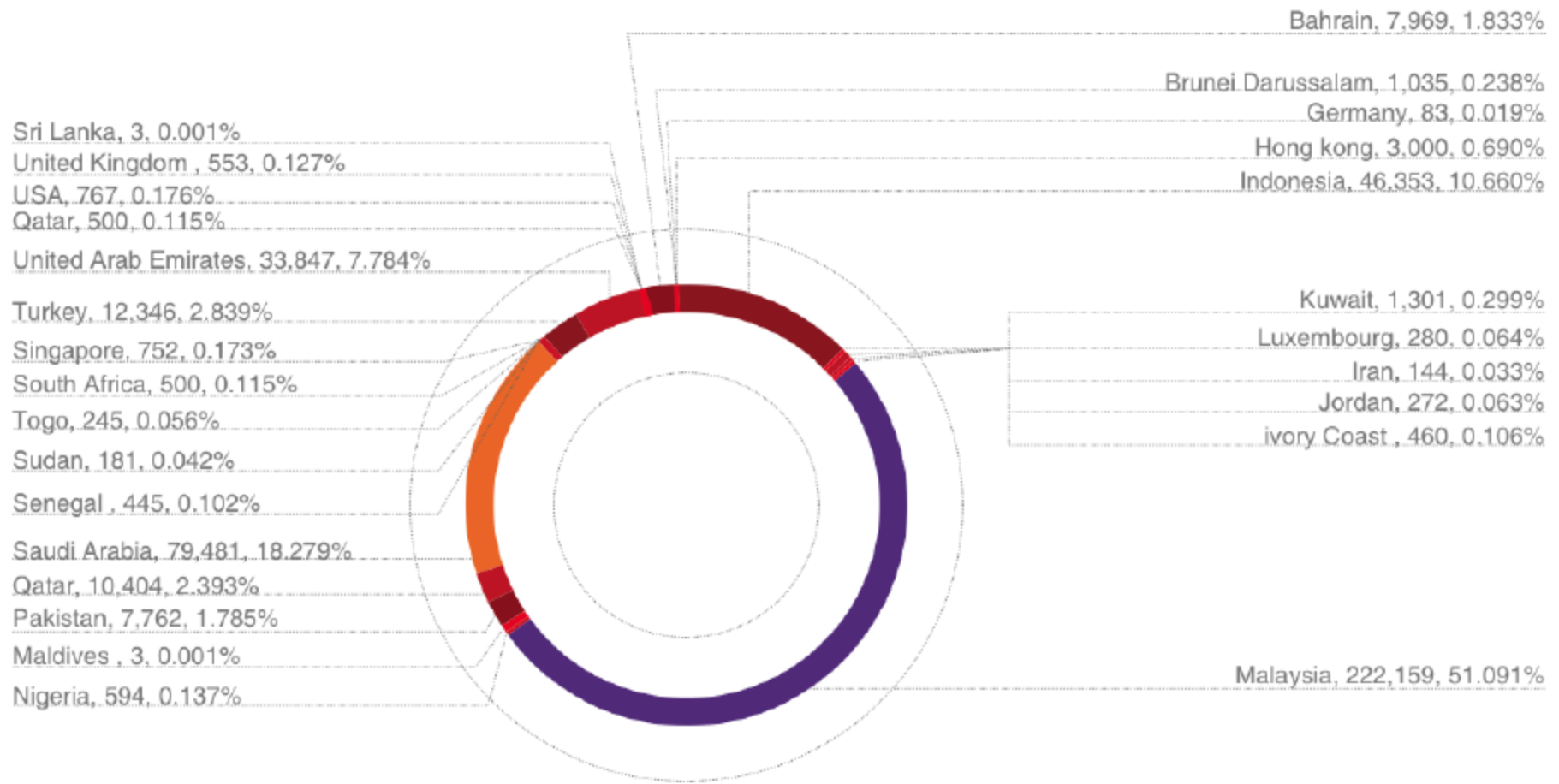
## Total INTERNATIONAL *Sukuk* Outstanding by Issuer Status as of 31<sup>st</sup> Dec 2017



Source: IIFM *Sukuk* Database



## Country Wise Breakdown of Sukuk Outstanding as of 31 Dec 2017



Source: IIFM Sukuk Database



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# Challenges In *Sukuk* Market



# Challenges in *Sukuk* Market

- 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) **Utilization of *Sukuk* in liquidity management & product range**
- 5) **Absence of insolvency & close-out netting law in most of OIC Countries leads to structuring challenges (title transfer versus security interest)**



# Challenges in *Sukuk* Market

- 6) **Legal Framework & enhancement of *Shari'ah* monitoring (Dana Gas Sukuk legal case)**
- 7) **Corporate *Sukuk* issuances below par contribution**
- 8) **Equity linked *Sukuk* issuances to be encouraged i.e Exchangeable *Sukuk***
- 9) **Tax Neutrality**
- 10) **Quasi Sovereign *Sukuk* Implicit and Explicit Government Guarantee**





# Solutions to Challenges

- 1) **Use of *Sukuk*/Islamic Securities as Collateral**
  - **IIFM Collateralized Murabahah Standard**
  
- 2) **Currency and Rate of Return Risk Mitigation**
  - **IIFM Hedging Standards**
  
- 3) **Established conventional bond issuance process vs *Sukuk* issuance process (structuring, documentation, market guidelines)**
  - **IIFM Sukuk Standards and Guidelines Under Development**



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# *Shukran*

# *Wassalamu 'Alaikum*

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