SUKUK: An Islamic Capital Market Instrument

Sukuk commonly refers to the Islamic equivalent of bonds. However, as opposed to conventional bonds, which merely confer ownership of a debt, Sukuk grants the investor a share of an asset, along with the commensurate cash flows and risk. As such, Sukuk securities adhere to Islamic law or Shari’ah principles, which prohibit the charging or payment of interest.

The emergence of Sukuk has been one of the most significant developments in Islamic capital markets in recent years. Put simply, Sukuk instruments act as a bridge. They link their issuers, primarily sovereigns and corporations in the Middle East and Southeast Asia, with a wide pool of investors, many of whom are seeking to diversify their holdings beyond traditional asset classes. In this way, funds raised through Sukuk can be allocated in an efficient and transparent way to infrastructure initiatives and other deserving projects in the 56 member countries of IDB, as well as communities in over 100 non-member countries. Both domestic and foreign investors buy Sukuk having various structures approved by Shari’ah boards made up of Islamic scholars.

ADFIMI has organised this conference to inform NDFIs of IDB Member Countries the latest developments in Sukuk. Various aspects of Sukuk practice as well as country experience will be described during the conference.

The event is jointly organized with Fund for Financial Support of Agriculture (FFSA) of Kazakhstan.

The participants to this one-day-conference are also entitled to participate in another one-day-conference on “Islamic Finance in Kazakhstan” held on 03 September 2014 at the same venue. This event offers information on several aspects of Islamic Finance in Kazakhstan by many prominent experts and executives.

Both events provide simultaneous translation into the Russian Language.

The event is free to participants from ADFIMI member institutions.

Best regards

Nuri Birtek
Secretary General
ADFIMI – SME BANK INTERNATIONAL DEVELOPMENT FORUM 2014
“COLLABORATIVE ENTREPRENEUR DEVELOPMENT
A Game Changer in a Challenging Business Ecosystem”

GUIDE-OF-HONOUR & KEYNOTE ADDRESS
H.E. DATO’ SRI MOHD. NAJIB BIN TUN HAJI ABDUL RAZAK
GUEST-OF-HONOUR & KEYNOTE ADDRESS

3 September 2014 (Wednesday), Almaty city, Kazakhstan

ADDITIONAL PROGRAMME

SESSION I: PANEL SESSION
10.00 – 11.20 PLenary SESSION
Greeting from Mr. Yerlan Baidaulet – IDB Board Member, Chairman, ADFIMI
MODERATOR: Mrs. Stella Cox - Managing Director, DDCAP
SPEAKERS:
• Mr. Yerlan Baidaulet - IDB Board Member, Chairman, ADFIMI
• Mr. Hasan Demirhan - Director, Treasury Department, IDB, representative of Norton Rose Fulbright
• Mr. Andrew Kinal, Managing director, Shari’ah Advisory Group; Mr. Abu Chowdhury, Managing director, ASMA Capital Partners BSC; Development Bank of Kazakhstan, representative.

11.20 – 11.50 Group photo, Coffee-break

11.20 – 11.40 PRE-CONFERENCE
Participants: Mrs. Fiona Woolf, Mr. Karlat Kelimbetov, Sir David Woolton, Sheikh Bilal Khan

13.30 – 14.30 Break for lunch

SESSION II: PANEL SESSION
14.30 – 16.00 ISLAMIC CAPITAL MARKETS
MODERATOR: Mr. Hasan Demirhan - Chairman, Kazakhstan Stock Exchange.
SPEAKERS: Mr. Hasan Demirhan - Director, Treasury Department, IDB, representative of Norton Rose Fulbright; Mr. Andrew Kinal, Managing director, Shari’ah Advisory Group; Mr. Abu Chowdhury, Managing director, ASMA Capital Partners BSC; Development Bank of Kazakhstan, representative.

16.00 – 16.20 Coffee-breaks

SESSION III: PANEL SESSION
16.20 – 17.40 ISLAMIC FINANCE LEGISLATION: MODELS, EXPERIENCE, PERSPECTIVES
MODERATOR: Mr. Neil Miller - Global head of Islamic finance, Linklaters LLP; Mr. Nurlan Kusamov, Deputy Chairman, National Bank of Kazakhstan; Mr. Narmukhan Sarybaev, CEO, JSC FFSA; Mr. Dzr Smailov, Deputy CEO, Zaman Bank, representative of al-Hilal Bank

17.45 – 18.00 Closing remarks.
In 1997, he established and the Kalimma Investment & Securities Company (a brokerage house) which was a separate affiliate of the Development Bank of Turkey. He was the Founding General Manager of the affiliate company that managed equity, fixed income, and mixed assets funds’ portfolios. His company managed more than thousand active customer accounts, successfully completed the largest equity private placement transactions and participated in number of IPO’s at Istanbul Stock Exchange during 1998. The brokerage house also involved in providing consultancy services to the Privatization Agency of Turkey on completing the valuation exercises of state enterprises.

In 1999, Hasan Demirhan joined Islamic Development Bank (IsDB) and is currently serving as Director (Treasurer) – Treasury Department, managing asset & liabilities, swaps, investment portfolio (fixed income, interbank money market placements), resource mobilization especially benchmark sukuk issuances, as well as supervising IsDB share capital, middle office and banking relations functions. He also represented IsDB in boards of Islamic banks such as Bosna Bank International in Bosnia Herzegovina for 9 years.

For the fourth consecutive year, Global directories, Chambers and Partners have ranked Mr. Kanji as one of the world’s leading Islamic finance and debt capital markets lawyers. Chambers and Partners Global 2014 describes Mr. Kanji as a “Debt capital markets partner with great expertise advising on a variety of both traditional bond work and Sharia’a-compliant sukuk.” Chambers states, “Rizwan H. Kanji leads the debt capital markets practice. He is praised for his technical skills in ‘Shari’a-compliant debt’”. Clients say: “He was flexible, open-minded and structured the documentation well.”

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Mr. Maxat Kabashev has assumed charge as President of Kazakhstan Stock Exchange (KASE) on March 09, 2014. Prior to being elected as KASE President for the last five years Mr. Kabashev was a Chairman of the Management Board of “Alliance Bank” JSC. Throughout his career he held leading positions in the national and private companies of the financial and real sectors of the economy, as well as gained policy level experience in the government of the Republic of Kazakhstan.

During the course of 2008 - 2009, Mr. Kabashev was a Chairman of the Management Board of the “Investment Fund of Kazakhstan” JSC and the Chairman of the Management Board of “Distressed Assets Fund” JSC. Prior to that during 2004-2006 he held leading positions in the “Innovation Fund” JSC and the “Sustainable Development Fund” JSC.

Field of expertise: Government and Corporate Finance, including privatization and corporate restructuring, government backed debt issues, privatization, corporate financings, and international finance.

Mr. Kanji advises a variety of global investment banks, sovereign states and multinational regional corporates.

Mr. Kanji is a partner with the international law firm King & Spalding specialising in debt capital markets, debt finance and Islamic finance. He frequently advises a variety of global investment banks, sovereign states and multinational regional corporates.

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ABSTRACT

Introduction to sukuk, sukuk vs bond compared, state of the sukuk market, sukuk structures currently in the market, legislative infrastructure to enable the key sukuk structures, discussion of key aspects of capital market and Islamic documentation for sukuk issuance.

MAXAT KABASHEV

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ZEYNEP BOĞA

Ms. Zeynep Boğa has been working for the Undersecretariat of Turkish Treasury for 9 years and is currently a Senior Expert at the International Capital Markets Department. Zeynep is responsible for international bond issues, as well as maintaining the relations with the international credit rating agencies and international portfolio investors on behalf of the Turkish government. She is a member of the front office team which received in recent years several “Best Borrowing EM Team” awards from various international institutions and finance magazines. Zeynep holds a Master of Business Administration (MBA) degree from the University of California at Berkeley and a Bachelor’s Degree in Business Administration from Hacettepe University in Ankara. During MBA, she worked for a while in Jeddah, Saudi Arabia, as a consultant for an educational project to improve Saudi women’s professional lives.

ABSTRACT

The roots of Islamic finance in Turkey trace back to mid-80’s when special finance houses first appeared. Along with the enactment of new Banking Law in 2005, Turkish participation banking sector has started to outperform and increased total asset size by seven times while conventional banking sector increased total asset size by three times. Although Turkish participation banking sector reached a total asset size of around 45 billion dollars by 2013, the sector still remains quite minor as a share of the total banking industry with 5.5 percent of total assets. These figures suggest that there is a very promising potential for growth in participation banking sector in Turkey.

MUHAMMAD ZAHID ABDUL AZIZ

Muhammad Zahid Abdul Aziz has 24 years of experience in Islamic Banking and Finance. Starting with Bank Islam Malaysia Bhd in 1990, he quickly made his mark as a Sukuk pioneer in Malaysia. He left Bank Islam in 2000 to form an Islamic Capital Market Consultancy in Kuala Lumpur called Muamalah Financial Consulting. In mid 2006, he left for Riyadh as Resident Sukuk Consultant to Bank AlBilad, Saudi Arabia’s second Islamic Bank. At the end of March 2009, he returned to Malaysia to resume his position at Muamalah Financial Consulting. He recently obtained an MSc in Islamic Banking & Finance from the International Islamic University Malaysia. He is an internationally renowned lecturer in Islamic Capital Market and similar subjects having taught in Dubai, Brunei, Indonesia, Korea, Singapore, Sri Lanka, Russia and most recently Nigeria. Zahid teaches Islamic Corporate and Retail Financing, Sukuk and the Islamic Capital Market, Islamic Asset Backed Securitisation, Islamic Equity Capital Market Instruments, Islamic Legal Documents, Islamic Stockbroking, Fundamental Muamalat, Islamic Economics, Takaful, Islamic Financing Restructure, and Islamic SME Banking.