

Islamic Corporation for the
Development of the Private Sector
**Enabling Enterprise
Building Prosperity**

Sukuk & Capital Markets PROGRAM

Member of Islamic Development Bank Group

Sukuk & Capital Markets PROGRAM




Program Objectives

Capital Market

- Sukuk
- Equity & Debt
- Due Diligence

Advisory Services

- Financial Advisory
 - Technical Assistance
 - Framework
- 



Capital Market

The Sukuk & Capital Markets Program

At the Islamic Corporation for the Development of the Private Sector (ICD), we have a dedicated team focused on advising governments and corporations in our member countries on sukuk issuances. Our team is driven by the conviction that sukuk are appealing to member countries because it offers an alternative source of capital and diversifies the country investor base.

Building on the Group's accumulated experience in Islamic debt issuances, the ICD Sukuk Platform would be a facilitator to develop Islamic capital markets by:

- 1)** Assisting member countries to tap the international Islamic Capital Market
- 2)** Helping member countries to complement T-bills with short-term Sukuk
- 3)** Advising on corporate Sukuk issuances

ICD has been involved in high-profiled corporate transactions in recent years and set a major role of advising the establishment of sukuk law and regulation in member countries.

Benefits of Sukuk

The need for sukuk arises from its benefits

The key benefit of Sukuk is to comply with Shariah while enhancing the standard of living in the society.

Sukuk is a good alternative of financing large projects.

Sukuk is an important avenue for redistribution of wealth and achievement of social justice.

Sukuk improves risk management.

Sukuk provides liquidity to investor for tradable Sukuk.

The most common uses of Sukuk are:

Project-specific Sukuk

Under this type, money is raised through sukuk for a specific project.

Asset-specific Sukuk

Under this arrangement, the resources are mobilized by selling the beneficiary right of the assets to the investors.

Balance Sheet-specific Sukuk

An example of this would be how the Islamic Development Bank (IDB) mobilised these funds to finance various projects of the member countries.

Uses of Sukuk

Sukuk Structures

The most commonly used structures of Sukuk are Al Ijara and Al Musharaka. Both of which are tried and tested in the international and domestic capital market insurances. Both may be used individually or in a hybrid manner.

Sukuk Al Ijara

- A) Lease-based structure
- B) The transfer of ownership for an agreed upon consideration /AAOF

Sukuk Al Musharaka

- A) Co-ownership & joint venture
- B) A form of partnership between the Islamic bank and its clients whereby each party contributes to the capital of the partnership in equal or varying degrees to establish a new project or share in an existing one. Each of the parties becomes an owner of the capital on a permanent or declining basis and shall have his due share of profits

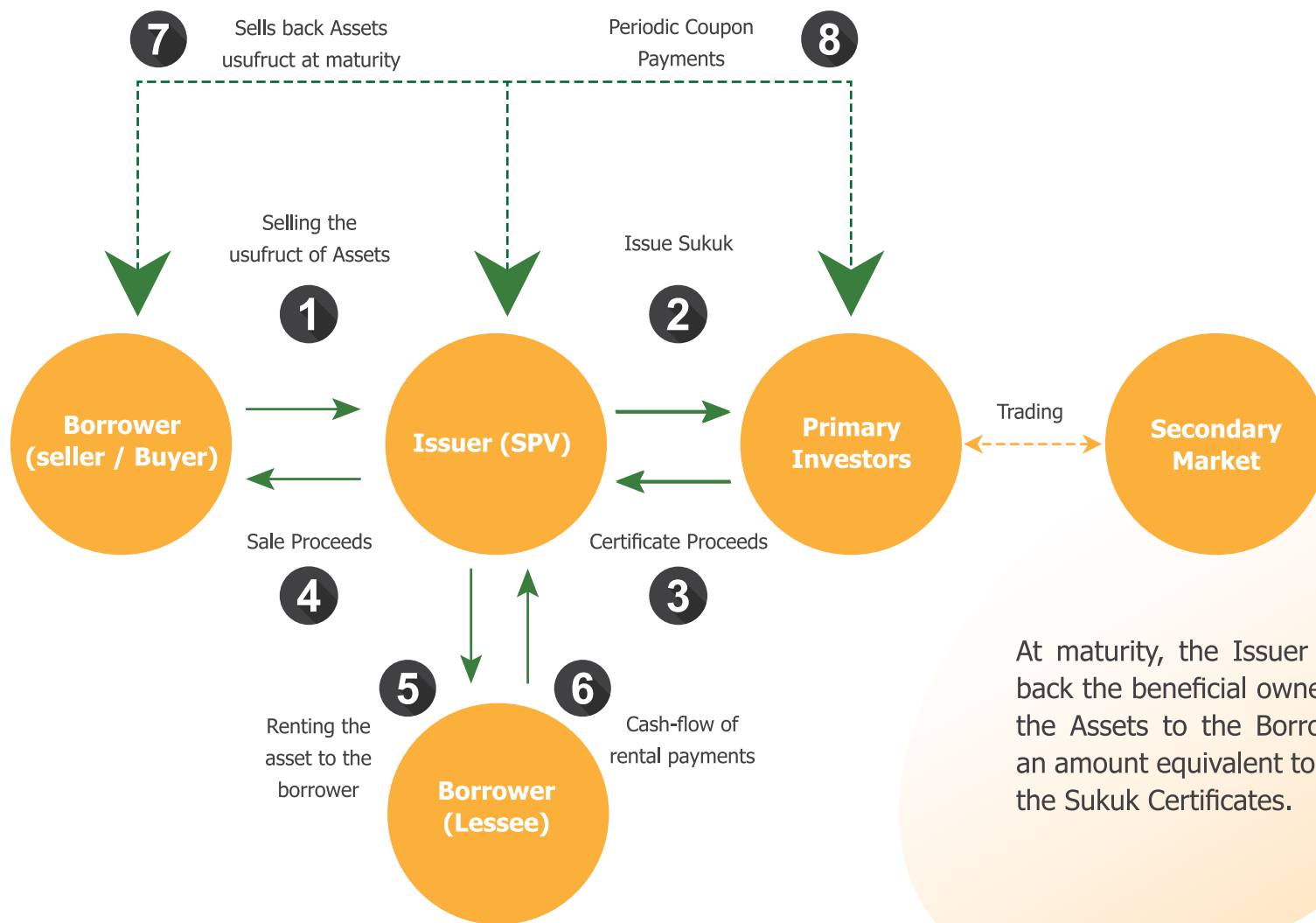
Sukuk Al Istithmar

- A) Based on underlying revenues generating contracts
- B) Certificate of equal value representing undivided shares in ownership of tangible assets, usufructs and services or the asset of particular projects or special investments activities/ AAOFI

Sukuk Al Mudarabah

A partnership in profit whereby one party provides capital and the other provides labour

Examples of The Most Commonly Used Structure: Ijara



At maturity, the Issuer will sell back the beneficial ownership of the Assets to the Borrower for an amount equivalent to redeem the Sukuk Certificates.

Capital Market: Long Term Issuance Methodology

1 Strategic Advisory

- Analysis of the project and determination of the best financing structure
- Asset identification and selection
- Develop the Sukuk structure

2 Assets-specific Sukuk

- Discuss jurisdiction structure, taxation and legal issues
- Advise on the process of transferring the ownership of assets
- Drafting the base prospectus in collaboration with the legal counsel
- Appointment of an independent Valuation agent for the underlying assets of Sukuk

3 Marketing

- Develop preliminary tenor & size
- Identifying potential investors
- Draft prospectus and distribute offering documents (including application form)
- Finalize indicative pricing

4 Bidding & Settlement

- Acceptance or rejection of application
- Notification about individual result of the tender allotment
- Sign documentation with institutions

5 Closing

- Issuance of press release
- Recording the Sukuk holders in special record

Short Term Sukuk: The Four Pillar Approach

Asset identification & selection.

Development of a tax-friendly Sukuk structure.

Advise on credit-enhancement and guarantee of payment.

Obtaining Shariah approval (fatwa).

Assist in setting the Shariah committee.

Advise on listing the Sukuk.

Shariah & Sukuk Structuring Team



Prepare and provide full documentation for the Sukuk (structure, application for subscription, concise offering circular, Islamic contracts, forms).

Discussion finalizing agreements with the legal team of the Central Bank.

Legal Team



IT team to assess current applications used in trading operations.

Evaluation and selection of the proper IT solution for the whole process of issuing short-term Sukuk.

Support the implementation of the new IT system.

Test transaction.

Information Technology Team



Organize on the-job-training with an entity who has more experience in issuing short-term Sukuk.

The training would be on the practical side of the transaction.

On-the-Job Training





Case Study: Republic of Senegal Sukuk

On July 2014, the Republic of Senegal issued a debut regional currency, CFA 100Bn Sukuk al-Ijara (Sukuk). ICD acted as Joint Lead Manager and Advisor.

The three key challenges to the offering were:

- Structuring the instrument despite the lack of Sukuk regulation and trust law in Senegal.
- Educating investors on the nature of an amortized Sukuk and its equivalent with Senegal credit risk.
- Rising investor's enthusiasm towards CFA-denominated Sukuk.

Structure: ICD developed a unique solution that consisted of structuring the instrument under the region's securitization regime, the only regulation allowing for SPV to issue notes.

Distribution: To reach as many investors as possible, ICD's marketing strategy was to appoint regional brokers and

placement agents with direct distribution capabilities to institutional clients.

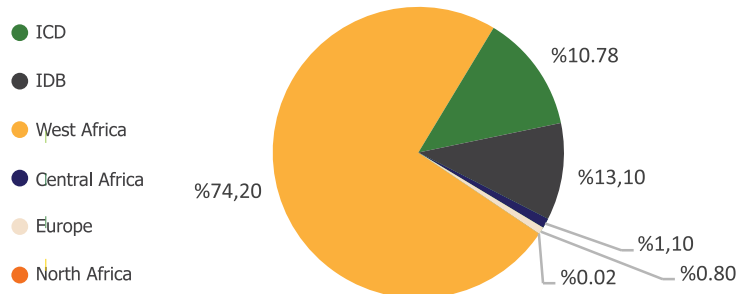
Structure: Was validated by the Central Bank of West African States ("BCEAO"), which approved the instrument for repo financing, which enhanced the transaction's marketability. Investors are accustomed to such a repo on conventional government bond in the region.

Term Sheet	
FCTC Sukuk Etat du Senegal 6.25% 2014 - 2018	
Issuer	A Special Purpose Vehicle called a Fonds Commun de Titrisation de Créances ("FCTC")
Lessee / Obligor	Ministry of Finance on behalf of the Republic of State
Format	Sukuk Al-Ijara ("Sukuk")
Tenor	4 Years
Pricing Date	18th Jul 2014
Maturity	30th Jul 2018
Issue Size	CFA 100Bn (~USD 200Mn)
Coupon	6,25%

The Senegal sukuk was Africa's first sovereign Sukuk to the international capital market.

Individual and institutional investors participated in the Sukuk which was oversubscribed by 40%.

Investors Distribution



Case Study: Hashemite Kingdom of Jordan Sukuk

The Medium Term Dinar-denominated Sukuk (3.01%, due 2021) would be used as an instrument to absorb excess liquidity (estimated to be 1.4 billion dinars) held by Jordan’s four Islamic banks

Background

The Government of Jordan (“GoJ”) needed to (i) issue a medium term Sukuk for liquidity management purpose of the 4 local Islamic banks, (ii) ensure the compliance of the issuance with Sharia principles and (iii) develop internal capacity to manage independently such transactions in the future. ICD acted as the Advisor to the Issuer (GoJ) and coordinated all the activities of the parties involved in the transaction.

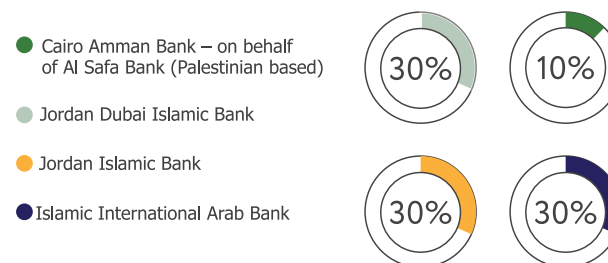
Term Sheet	
Government of Jordan 3.01% 2016-2021	
Issuer	Government of Jordan 3.01% 2016-2021
Lessee / Obligor	The Government of the Hashemite Kingdom of Jordan, represented by the Ministry of Finance
Amount	JOD 34 Mn (USD 48 Mn)
Tenor	5 Years
Type	Amortized Ijarah Sukuk
Instalments	Periodical payments are semi-annual
Profit Rate	3.01%
Use of proceeds	The proceeds of the issuance will be utilized for development purposes
Listing	Amman Stock Exchange (expected)

Key Accomplishments

ICD arranged on-the-job trainings for the GoJ officials in different ICD member countries which issued similar notes

As a Development Finance Institution, we succeeded in (i) assisting GoJ in creating a sustainable local Islamic Capital Markets Program and (ii) empowering the Jordanian Authorities via the transmission of the needed technical knowledge and practical experience in the management of a Sovereign Islamic Debt Transaction.

Investors Distribution

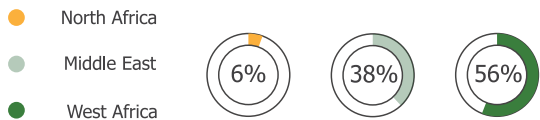


Case Study: Republic of Côte d'Ivoire Sukuk

On 21st December 2015 the Republic of Côte d'Ivoire priced & closed a debut regional currency, CFA 150 Bn Sukuk (approx. 251 Mn USD). ICD acted as the sole Lead Manager. The process of the Sukuk issuance took 8 months, which is very short period compared to other sovereign issuances

The key challenges to the offering were:

- Educating investors on the nature of amortized Sukuk & its pricing.
- Risk of lack of appetite toward CFA-denominated Sukuk.
- ICD developed a unique solution, which was to structure the instrument under the region's securitization regime.
- ICD developed a marketing strategy comprising the appointment of joint lead brokers and direct marketing with Investis.



Investors Diversification	
Increased Middle-Eastern Appetite to African Sovereigns	Retail participation
Middle-Eastern buyers snapped up 38% of the offering, up from 24% for the Senegal CFA-denominated Sukuk which was issued in 2014.	In total 178 investors participated in the offering. The retail portion saw the participation of 114 individuals.
Region-wise , 56% of Sukuk was allocated to West Africa and 6% to North Africa.	




Term Sheet	
State of Côte d'Ivoire 5.75% 2015-2020	
Issuer	A Special Purpose Vehicle called a "Fonds Commun de Titrisation de Creances" ("FCTC")
Seller	State of Côte d'Ivoire will sell the usufruct (Sukuk assets) for a term 99 years to FCTC pursuant to a sale & purchase agreement
Instalments	Periodical payments are semi-annual
Tenor	Amortized Ijarah Sukuk
Type	Amortized Ijarah Sukuk
Instalments	Periodical payments are semi-annual
Coupon	5.75%
REPO	The Sukuk is admissible for REPO
Use of proceeds	To finance projects of economic and social development to the State
Fatwa	Sharia Pronouncement has been issued by IDB Group Sharia Committee

Key Accomplishments

- It has given West African-based Islamic banks an opportunity to manage their excess liquidity through subscribing in this financial instrument which is denominated in regional currency (CFA).
- Second Sukuk offering from Sub Saharan Africa & the WAEMU region. Africa's third sovereign Sukuk to the international capital market.

African Sukuk issuances in 2016 – Term Sheets Summary

Overview of the 2016 Sukuk Transactions led by ICD in West Africa

	Senegal Sukuk 2016-2026 	Togo Sukuk (2016-2026) 	Côte d'Ivoire Sukuk (2016-2026) 
Issuer	FCTC (SPV)	FCTC (SPV)	FCTC (SPV)
Seller	State of Senegal	State of Togo	State of Ivory Coast
Lead Arranger	ICD	ICD	ICD
Issue date	Jun16-	Jul16-	Aug16-
Amount and Currency	CFA 200 Bn (USD 332 Mn)	CFA 156 Bn (USD 259 Mn)	CFA 160 Bn (USD 266 Mn)
Type	Amortized Ijara	Amortized Ijara	Amortized Ijara
Tenor	10	10	7
Grace Period	2 Years	2 Years	2 Years
Coupon	%6.00	%6.50	%5.75
REPO	Admissible for REPO	Admissible for REPO	Admissible for REPO
Assets	International airport	12 public buildings	Public Commercial Centers and 2 Buildings
Use of proceeds	Financing of developmental projects (among which the establishment of the Diamniadio Economic Zone)	Financing of developmental projects	Financing of developmental projects
Fatwa	Shariah Pronouncement has been issued by IDB Group Shariah Committee	Shariah Pronouncement has been issued by IDB Group Shariah Committee	Shariah Pronouncement has been issued by IDB Group Shariah Committee
Investors	Half of the Senegal sukuk was sold to local investors, with a third taken up by investors from the Ivory Coast and Togo	The geographical distribution is as follows: - outside WAEMU zone : %14,44; - Côte d'Ivoire : %36.75; - Togo : %10.52; - Burkina Faso: %17,29; - Benin : %21,01	The majority of the issued Sukuk was subscribed by investors in the WAEMU Region

ICD Advisory Services

ICD's advisory team provides advisory services in capital raising for strategic or financial investors. Working closely with other divisions of the Advisory Services Department, we offer multi-capabilities which includes business modelling, public/private partnerships and infrastructure advisory compliant to Shariah rules. From the origination to the execution, our team delivers world-class services to the corporates and governments of our member countries

ICD advisory place a special focus on Shariah principles relating to transactions and successfully manage to overcome obstacles that may occur. The team works across sectors and industries offer technical assistance in banking, capital markets, regulatory and government matters

ICD advisory services leverage on the IDB Group entity to provide unique Islamic Finance services and has the ability to reach out to potential partners in 56 member countries



ICD Advisory Services: Regulatory Framework

The Sukuk and Capital Markets division leverages on IDB group pool of experts to:

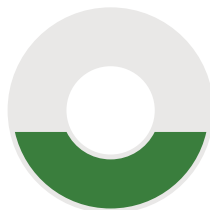
- Assist governments in improving their existing Islamic capital markets system
- Advise governments on the development of policies, regulatory frameworks and guidelines for the development of Islamic capital markets
- Leverage on the reverse linkages program of IDB
- Provide training to authorities



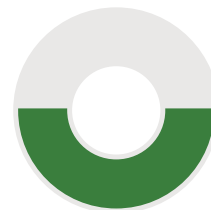
Data Collection



Data Analysis



Cross- Analysis



Specific requirement

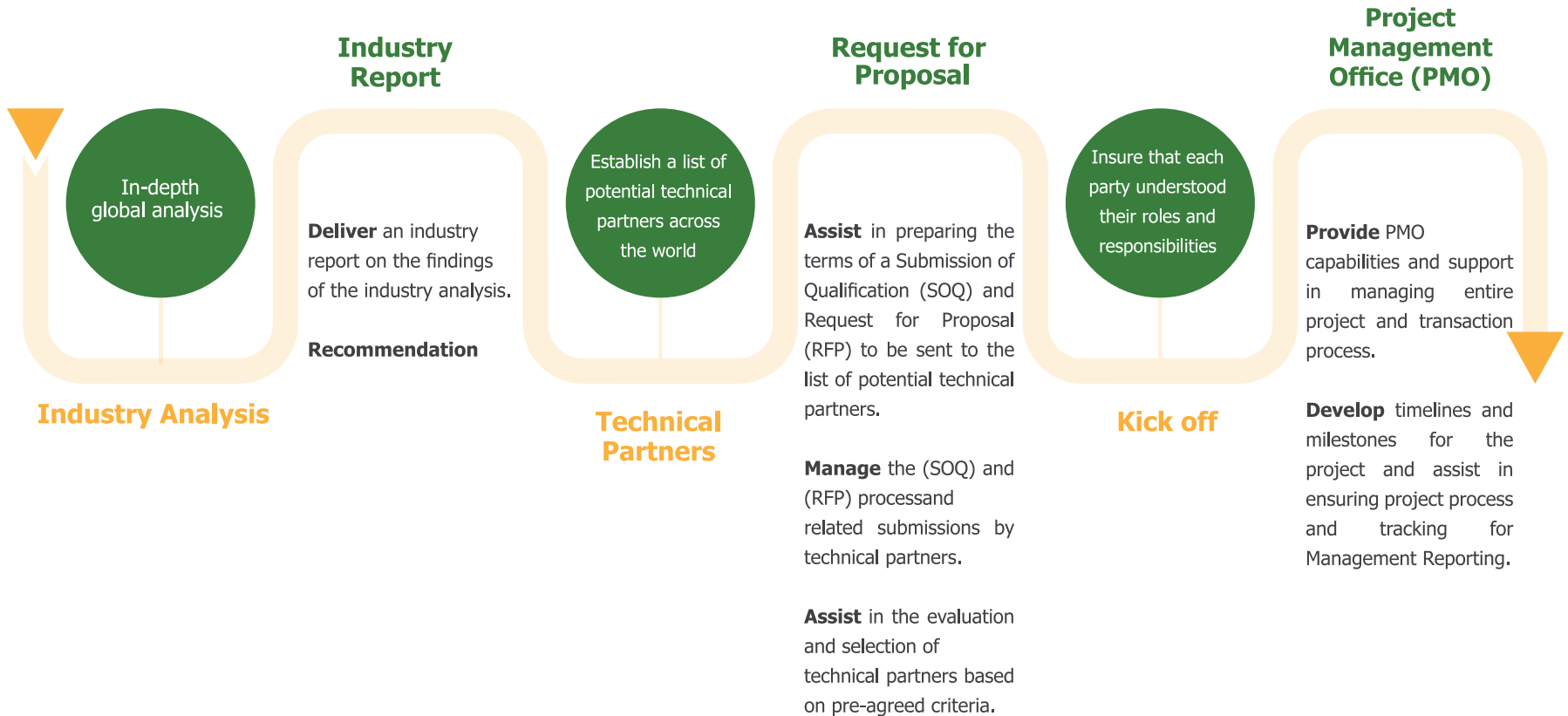


Tailored recommendation



Implementation

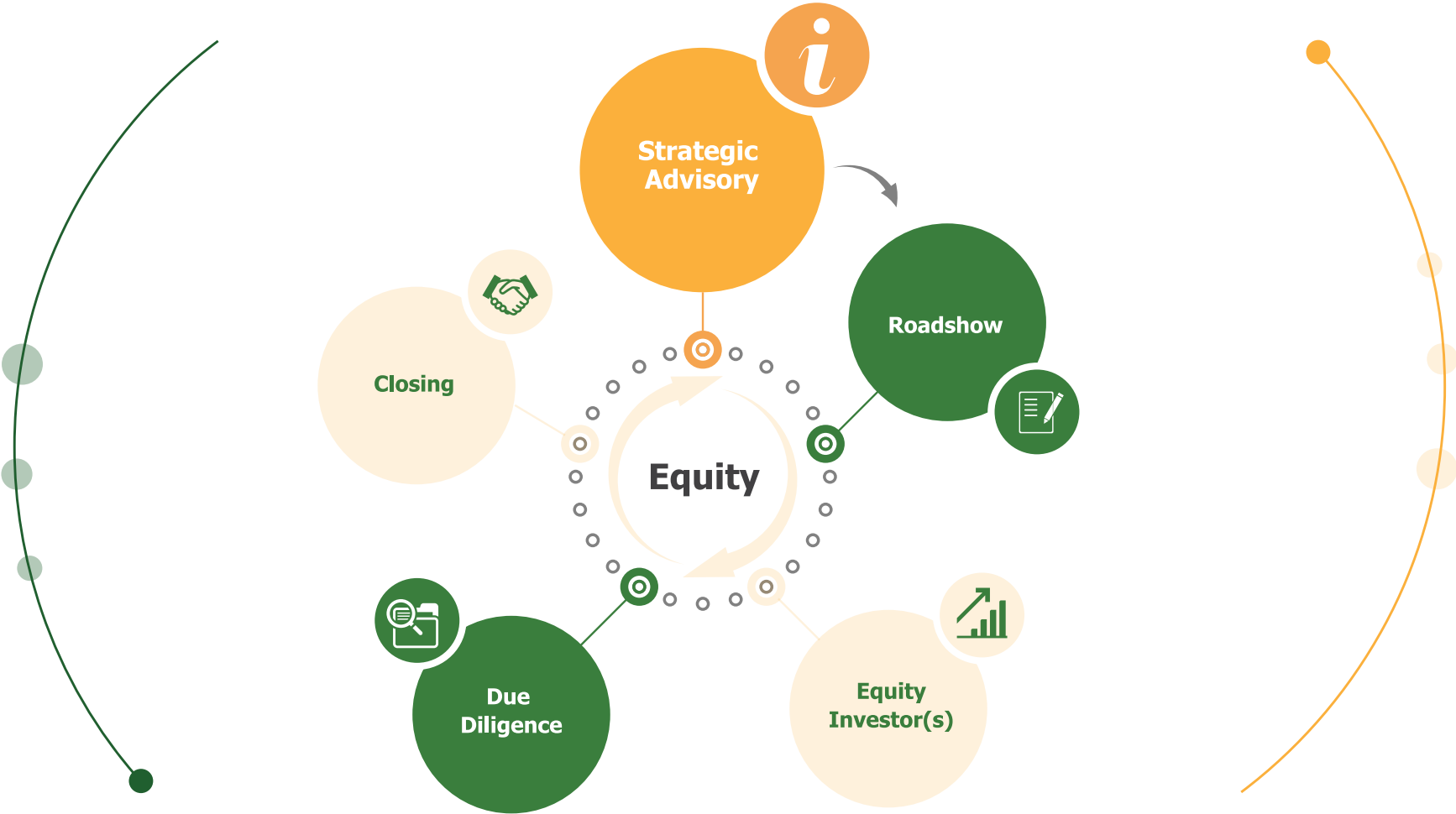
ICD Advisory Services: Technical Assistance



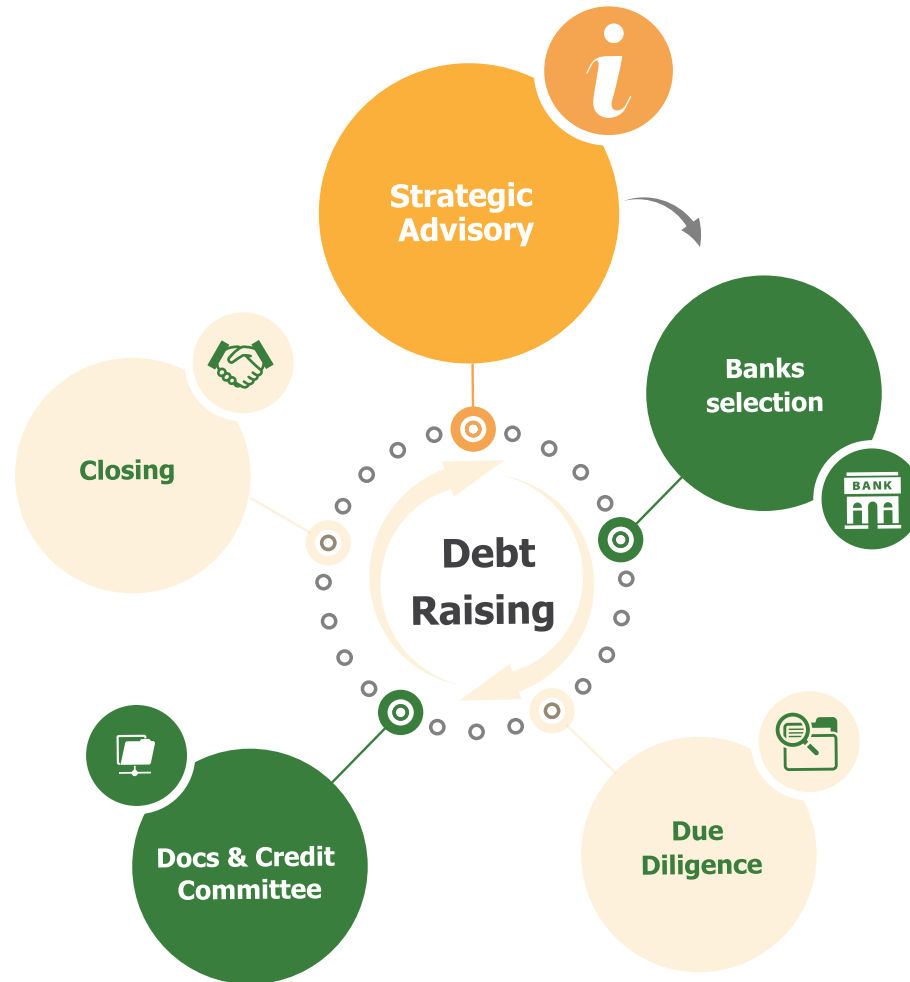
ICD Advisory Services: Financial Advisory Overview



ICD Advisory Services: Equity



ICD Advisory Services: Debt Raising



ICD Advisory Credentials

Sukuk Issuances

 <p>Government of Jordan</p> <p>USD 48 M Sukuk Issuance</p> <p>Financial Advisor 2016</p>	 <p>Government of Senegal</p> <p>USD 332 M Sukuk Issuance 2</p> <p>Financial Advisor 2016</p>	 <p>Government of Togo</p> <p>USD 251 M Sukuk Issuance</p> <p>Financial Advisor 2016</p>
 <p>Government of Ivory Coast</p> <p>USD 206 M Sukuk Issuance 2</p> <p>Financial Advisor 2016</p>	 <p>Government of Ivory Coast</p> <p>USD 251 M Sukuk Issuance 1</p> <p>Financial Advisor 2013</p>	 <p>Government of Senegal</p> <p>USD 208 M Sukuk Issuance 1</p> <p>Financial Advisor 2014</p>

Islamic Finance Institutions

 <p>USD 25 M</p> <p>Islamic Window Setup Islamic Financial Institutions Advisor</p> <p>2013</p>	 <p>USD 30 M</p> <p>Islamic Window Setup Islamic Finance Advisory</p> <p>2013</p>	 <p>Restructuring & Capital Raising</p> <p>Financial Advisor 2011</p>
 <p>USD 590 M</p> <p>Structuring & Placement Agent</p> <p>Financial Advisor 2011</p>	 <p>Maldives Islamic Bank</p> <p>USD 11.7 M</p> <p>Setting Up The Bank, Equity Raising & Underwriting</p> <p>Financial Advisor 2011</p>	 <p>USD 450 M</p> <p>Equity Raising</p> <p>Financial Advisor 2010</p>

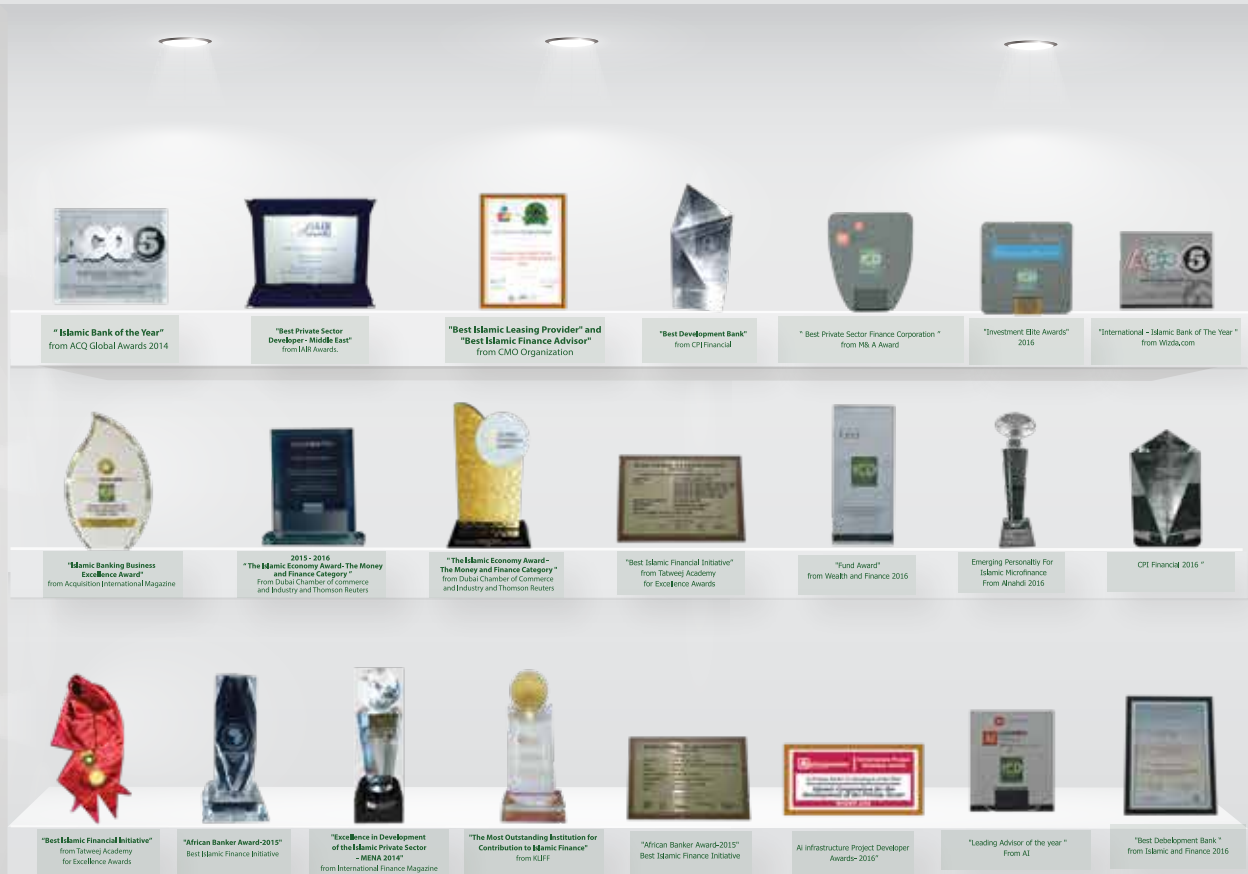
Fund Raising and Technical Assistance

 <p>USD 32 M</p> <p>Financial Advisor & Lead Arranger</p> <p>2016</p>	 <p>Capital Market Regulatory Framework</p> <p>Technical Assistance</p> <p>2013</p>	 <p>USD 45 M</p> <p>Financial Advisor & Lead Arranger</p> <p>2013</p>	 <p>USD 30 M</p> <p>Financial Advisor & Lead Arranger</p> <p>2013</p>	 <p>USD 60 M</p> <p>Syndicated Murabahah</p> <p>Financial Advisor 2011</p>	 <p>USD 1.97 M</p> <p>Equity Raising and Underwriting</p> <p>Financial Advisor 2010</p>	 <p>USD 2 M</p> <p>Equity Raising</p> <p>Financial Advisor 2010</p>
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ICD Awards

2014 - 2015 - 2016

SUKUK Awards



Aa3 / P-1
with stable outlook



'A+'
with stable outlook



AA/F+1
with stable outlook



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