

Positive start to the year for offshore centers



OFFSHORE CENTERS

By *Manuela Belmontes*

As noted in the press, both S&P Global Ratings and Refinitiv predict that the number of global Sukuk issuances will be higher in 2021 as compared with last year. S&P expects that higher oil prices and the rollout of COVID-19 vaccines will contribute to the greater activity in the Sukuk markets. Refinitiv believes that the renewed economic access by Qatar to the rest of the GCC will be a contributing factor. Although we have seen a slower start to the year in terms of the number of public global Sukuk issuances, one offshore center in particular has featured in a number of them. This trend will be sure to continue particularly as volume is expected to pick up in the coming months.

The first global Sukuk issuance for 2021 was made by First Abu Dhabi Bank (FAB) floating a US\$500 million five-year Sukuk facility on the London Stock Exchange. The issuance was made through a Cayman Islands company, FAB Sukuk Company, which is the issuing vehicle for FAB's trust certificate issuance program. It is set up as an orphan entity, owned and managed independently by a third-party trust company, MaplesFS.

The issuance was successful, being three times oversubscribed and ultimately sold (47%) to regional investors and (54%) to investors based in the UK, Europe and Asia. IFN reported that this was FAB's first US dollar-denominated benchmark offering and that the profit rate (of 1.41%) was the lowest-ever yield on a five-year Sukuk facility issued by a bank in the MENA region.

Two Saudi banks followed suit by also listing Sukuk on the London Stock Exchange using a Cayman Islands issuer. At the end of January, National Commercial Bank (NCB) made a stand-alone issuance of US\$1.25 billion additional Tier 1 capital certificates through NCB Tier 1 Sukuk, and the issuance was more than four times oversubscribed. The Sukuk facility has a 3.5% profit rate which is resettable every six years. It was reported that this is the lowest-ever launch yield for perpetual bonds from the Gulf.

In February, Riyal Bank issued US\$1.5 billion in a 10-year Sukuk facility (which is callable after five years) under its US\$3 billion trust certificate issuance program. The program uses a Cayman Islands orphan issuer, Riyad Sukuk, similarly structured to FAB's issuing vehicle. The issuance was more than five times oversubscribed and sold to investors in 33 countries across Europe, the Middle East and Asia.

Aside from the capital markets, the Cayman Islands also featured in the sphere of Islamic funds. In February, IFN reported that Prestige Funds, a leading specialist private debt investment manager based in the UK, turned to the Cayman Islands as the domicile to launch the first-ever Islamic impact fund.

Premium Alziraea Fund, a closed-ended Shariah compliant fund, will focus on the UK agricultural and renewables sectors investing in small businesses and project financings. ⁽²⁾

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