

ESG trend continues for 2022 Sukuk issuance using offshore centers



OFFSHORE CENTERS

By *Manuela Belmontes*

Fitch Ratings and Refinitiv, among others, predict continued growth in Sukuk transactions in 2022, following a solid 2021 in which global outstanding Sukuk reached over US\$700 billion (as reported by Fitch). One prominent trend in the Sukuk market that is expected to continue throughout 2022 is environmental, social and governance (ESG) and the issuance of green Sukuk. We witnessed a debut issuance of sustainable Sukuk at the start of the year using a popular offshore center.

In January 2022, Saudi National Bank (SNB) floated a US\$750 million five-year Sukuk facility on the London Stock Exchange's International Securities Market.

The Sukuk facility (which was more than four times oversubscribed) was issued under SNB's US\$5 billion senior unsecured trust certificate issuance program which uses an SPV formed in the Cayman Islands as its issuer.

This was SNB's debut 'sustainable' Sukuk issuance and the media reported that SNB will apply the proceeds to fund eligible projects under its Sustainable Finance Framework, such as renewable energy-generating facilities and tree-planting.

The SNB issuance followed closely behind that of Riyadh Bank at the start of January 2022, which was reported as being the first global additional Tier 1 capital sustainable Sukuk issuance and the first Sukuk to be listed on the Sustainable Bond Market of the London Stock Exchange.

The US\$750 million Sukuk issuance was floated through an SPV and carries a 4% rate of return. It is anticipated that Riyadh Bank will use the proceeds from this perpetual Sukuk to finance eligible projects under its newly adopted Sustainable Finance Framework. S&P Global Ratings has confirmed that the sustainability objectives of the framework are aligned with Saudi Arabia's Vision 2030 agenda.

Moving away from Saudi Arabia, the first global Sukuk facility of 2022 to be issued out of the UAE was made by Dubai Islamic Bank (DIB) in mid-February 2022, also using the favored offshore center of the Cayman Islands.

DIB, through its Cayman Islands issuing vehicle, DIB Sukuk, sold a US\$750 million five-year Sukuk facility with a profit rate of 2.74% per annum under its US\$7.5 billion trust certificate issuance program.

The issuance (which was 2.5 times oversubscribed) was listed on Euronext Dublin and NASDAQ Dubai.

The prospectus for the program reveals that DIB Sukuk is set up as an orphan entity, with its shares held by an independent trust company, MaplesFS, as a share trustee pursuant to a charitable trust.

The issuer is independently managed with all of its directors being employees of the trust company.

Aside from Sukuk transactions, IFN reported in February 2022 that the Cayman Islands was also used as a domicile for the formation of an SPV by Alinma Bank, which will act as a counterparty to international banks in derivatives and repurchase transactions.

This follows a trend of financial institutions based in the GCC which have set up similar SPVs to take advantage of the Cayman Islands's netting legislation.

The Cayman Islands is widely recognized as being a creditor-friendly and flexible jurisdiction. (2)

This article is intended to provide only general information for the clients and professional contacts of the legal services division of the Maples Group. It does not purport to be comprehensive or to render legal advice.

Manuela Belmontes is a partner in the corporate and finance teams at Maples and Calder, the Maples Group's law firm in Dubai. She can be contacted at manuela.belmontes@maples.com.

IFN Country Correspondents

AFGHANISTAN: Manezha Sukhanyar
former head of Islamic banking, Maiwand Bank

BANGLADESH: Md Touhidul Alam Khan
additional managing director, Standard Bank

BRAZIL: Fábio Amaral Figueira
partner, Catão & Tocantins Advogados

CHINA & HONG KONG: Wafee Yeung
managing director, Allalah Consulting

EGYPT: Dr Walid Hegazy
managing partner, Hegazy & Associates

INDONESIA: Irwan Abdalloh
head of Islamic Capital Market, Indonesia Stock Exchange

IRAN: Majid Pireh, secretary of Shariah Committee,
Securities and Exchange Organization of Iran

ITALY: Stefano Loconte
managing partner, Loconte & Partners

MALAYSIA: Siew Suet Ming
chief rating officer, RAM Rating Services

MALDIVES: Dr Aishath Muneeza
chairman of Shariah Board, Alia Investments

MOROCCO: Dr Ahmed Tahiri Jouti
COO, Al Maali Consultancy Group

NIGERIA: Hajara Adeola
managing director and CEO, Lotus Capital

OFFSHORE CENTERS: Manuela Belmontes
partner, Maples Group

OMAN: Mansoor J Malik and Zarrar Mir
senior partner and associate, Al Busaïdy, Mansoor Jamal & Co

PAKISTAN: Muhammad Shoaib Ibrahim
managing director & CEO, First Habib Modaraba

PALESTINE: Dr Said A Sabri, CEO, Sabri & Partners

PHILIPPINES: Rafael A Morales
managing partner, Morales & Lumagui

QATAR: Amjad Hussain, partner, K&L Gates

RUSSIA: Dr Ilyas Zaripov, member, Partnership Banking
Working Group, Central Bank of the Russian Federation

SAUDI ARABIA: Nabil Issa, partner, King & Spalding

SENEGAL: Pierre Alexandre Lette
director of legal affairs, Regulatory Body of Warehouse
Receipt System (ORSRE)

THAILAND: Asas Worasutr
former trade finance officer, Islamic Bank of Thailand

TUNISIA: Mohamed Araar
General directorate of External Financing and Settlements,
deputy director of Private Financing and International
Relations Department, Central Bank of Tunisia

TURKEY: Fatma Cinar, head, international relations,
Participation Banks Association of Turkey

UAE: Anita Yadav, CEO, Global Credit Advisory

UK: Scott Levy, CEO, Bedford Row Capital Advisers

UZBEKISTAN: Hondamir Nusrathujayev
board member of AAOIFI

IFN Correspondents are experts in their respective fields and are selected by Islamic Finance news to contribute designated short country reports. For more information about becoming an IFN Correspondent please contact sasikala.thiagaraja@redmoneygroup.com