

Offshore centers update: Q3 Sukuk activity and launch of Shariah compliant funds



OFFSHORE CENTERS

By *Manuela Belmontes*

In October, Fitch Ratings reported a decline of 14.4% (quarter-on-quarter) in total Sukuk issuances from the core markets of the GCC, Malaysia, Indonesia, Turkey and Pakistan during the third quarter (Q3) of 2022. According to Fitch, most GCC countries are expected to record surpluses by the end of 2022 due (in part) to the high oil prices and this explains their reduced need to tap the Sukuk markets. Both the UAE and Bahrain have, however, issued US dollar bonds (rather than Sukuk) during this period. Also, Indonesia, Pakistan and Turkey still issued US dollar Sukuk and bonds.

As for financial institutions and corporates, higher interest rates are discouraging them from borrowing from the markets. Yet we have seen a few corporates floating Sukuk recently and they are doing so using offshore structures.

Early in the quarter, Saudi Arabia-based property developer Dar Al-Arkan successfully listed US\$400 million in three-year Sukuk on Euronext Dublin and NASDAQ Dubai.

The Sukuk were issued under its US\$2.5 billion trust certificate issuance program which uses a Cayman Islands company, Dar Al-Arkan Sukuk Company, as the issuer and trustee.

The issuer is set up as an orphan with its shares held on charitable trust by MaplesFS, an independent trust company, acting as the share trustee.

Another property developer, Arada Developments based in Sharjah in the UAE, issued US\$350 million in five-year Sukuk just prior to the start of the quarter and, more recently, closed a US\$100 million tap of that Sukuk facility which is listed on the London Stock Exchange.

Arada also used a Cayman Islands SPV, Arada Sukuk, as the issuer for this additional raise which is funding its rapid expansion.

The Private Department of Sheikh Mohamed Bin Kalid Al Nahyan (PD), which is owned by members of the Abu Dhabi ruling family, made a debut Sukuk issuance in the amount of US\$300 million, during the quarter.

The three-year trust certificates were issued under PD's US\$1 billion Sukuk program and listed on the London Stock Exchange's International Securities Market. The program uses an orphan SPV, PD Sukuk, domiciled in the Cayman Islands.

Moving to the world of investment funds and turning to other offshore centers, we recently learned that asset manager Principal Islamic has agreed with Standard Chartered Securities for the latter to introduce four of Principal Islamic's Shariah compliant UCITS funds, which are domiciled in Ireland, to Brunei.

As reported in IFN and other media channels, the four funds, Principal Global Sukuk Fund, Principal Islamic ASEAN Equity Fund, Principal Islamic Asia Pacific Dynamic Income & Growth Fund and Principal Islamic Global Multi-Asset Fund, will allow Brunei-based investors to invest across Asia and the Asia Pacific (APAC) region, as well as globally, while satisfying their sustainability goals.

In October, another Shariah compliant fund with a focus on the APAC region, Sidra-BlackRock Asia-Pacific Private Equity Strategy Fund, was launched.

It was reported that the private equity fund is domiciled in the Cayman Islands and was created as a result of a partnership between Saudi Arabia-based alternative asset manager Sidra Capital and the well-known private equity firm, BlackRock. ☺

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