

UAE corporates use offshore SPVs for Sukuk issuance



OFFSHORE CENTERS

By Manuela Belmontes

Recent weeks witnessed UAE-based corporates (some making their debut) raising capital through the Islamic capital markets and doing so using offshore SPVs, continuing the trend for future corporate issuers to follow.

Most recently, The First Group (TFG), a property and hospitality developer headquartered in the UAE, raised US\$135 million-worth of Sukuk in mid-August which are listed on the London Stock Exchange. The Sukuk were issued through a Cayman Islands exempted company incorporated with limited liability called TFG Sukuk I. The proceeds from the Sukuk, which have a five-year term, will be used by TFG to fund future developments and expand its business within and outside of the UAE. The Sukuk are senior-secured asset-backed instruments which were issued using an Ijarah structure.

A few weeks earlier, Abu Dhabi-based Emirates Strategic Investments Company

(ESIC) floated US\$600 million-worth of trust certificates due 2024 on the London Stock Exchange and the Abu Dhabi Securities Exchange. The Sukuk facility, a debut issuance for ESIC, was issued under ESIC's newly established US\$1 billion Sukuk issuance program.

The prospectus for the program reveals that the issuing vehicle, ESIC Sukuk, was similarly incorporated in the Cayman Islands. The issuer is set up as an orphan company with its shares held on charitable trust by a third party trust company, MaplesFS. The directors of the issuer are also provided by the trust company, keeping both the ownership and management of the issuer independent from ESIC.

The offering attracted huge demand, being more than six times oversubscribed. The press reported that more than 135 investors from over 20 countries participated in the offering, with only 39% allocated to investors based in the GCC.

The prospectus states that proceeds from the issuance of Sukuk under the

program will be used by ESIC — which is wholly owned by Sheikh Mansour Zayed Al Nahyan, the deputy prime minister of the UAE — to acquire income-generating real estate assets and regional listed equities to repay financial indebtedness and for general corporate purposes.

Earlier in July, DP World returned to the markets with combined Islamic and conventional bond issuances (US\$1 billion and US\$300,000 respectively) listed on NASDAQ Dubai. The Sukuk were issued under DP World's recently increased US\$5 billion trust certificate issuance program and were more than four times oversubscribed.

DP World's program uses a Cayman Islands orphan company, DP World Crescent, as its issuing vehicle. The issuer is managed jointly by a representative of DP World and a representative of an independent trust company.

Manuela Belmontes is a partner at the Maples Group. She can be contacted at manuela.belmontes@maples.com.

