

Offshore centers continue to feature in fourth quarter Sukuk issuances



OFFSHORE CENTERS

By Manuela Belmontes

Fitch Ratings recently predicted that the volume of global Sukuk issuances for 2020 would reach the levels in 2019. There were a significant number of global issuances in September, October and November, but this pace did not keep steady through December. Offshore financial centers, however, did steadily continue to feature in such issuances.

Most of the high volume global Sukuk issuances since the beginning of October were made by financial institutions. Qatar Islamic Bank (QIB) issued a US\$750 million five-year Sukuk facility under its US\$4 billion trust certificate issuance program which is listed on Euronext Dublin. The issuer and trustee under the program, QIB Sukuk, is a Cayman Islands SPV set up as an orphan vehicle with its shares held on charitable trust by MaplesFS, a Cayman Islands licensed trust company.

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This was followed by three notable Tier 1 and 2 capital securities issuances. Arab National Bank (ANB) issued US\$750 million in fixed rate resettable Tier 2 certificates due 2030 toward the end of October. The Sukuk, which were listed on the London Stock Exchange (LSE), were issued through a Cayman Islands orphan SPV, ANB Sukuk. Dubai Islamic Bank (DIB) then issued US\$1 billion-

worth of additional Tier 1 capital securities in mid-November also using a Cayman Islands orphan issuer named DIB Tier 1 Sukuk (4), with these securities being listed on both Euronext Dublin and NASDAQ Dubai.

Most recently, Kuwait International Bank (KIB) floated a US\$300 million subordinated Tier 2 Sukuk facility on the LSE, issuing the same under its recently established trust certificate issuance program using a Cayman Islands SPV, KIB Sukuk. KIB's press release states that this is the highest rated Tier 2 Sukuk issuance in Kuwait and the GCC (rated 'A-' by Fitch), and is also the first Kuwaiti US dollar Tier 2 Sukuk issue listed on the LSE.

In the aviation sector, both Etihad Airways and Dubai Aerospace Enterprise (DAE) tapped the international Sukuk markets in November. Etihad issued a US\$600 million five-year 'transition Sukuk' facility under its US\$3 billion Sukuk program with an orphan Cayman Islands issuer. The proceeds from the issuance will fund its conversion into more environmentally sustainable operations. This transaction was reported as being the first sustainability-linked financing in global aviation, with the terms of the Sukuk linked to the airline's carbon reduction targets. DAE, on the other hand, established its US\$2.5 billion senior unsecured Sukuk program with an orphan prescribed company formed in the Dubai International Financial Centre (DIFC), DAE Sukuk (DIFC), and issued US\$750 million-worth of Sukuk thereunder which were listed on NASDAQ Dubai.

Throughout 2020, the emirate of Sharjah issued billions of US dollars under its unlimited Sukuk program featuring a wholly-owned and managed Cayman Islands issuer. Its latest public issue took place in early November when it raised US\$250 million through a tap issuance. (F)

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