



Sukuk & Islamic Securitization (IPD 05)

Course Synopsis:

Objective: To apply Islamic rules to the debt capital markets

This module will provide candidates with the knowledge and tools necessary to understand the fast-developing market for Islamic capital markets product; namely the Sukuk market. It examines how Sharia'a principles affect capital market activities and delineates rules that must be observed in structuring Sukuk. The main aim of the course is to illustrate the basic structures of Sukuk; sale based, lease based and equity based Sukuk. Securitization (asset backed Sukuk) are contrasted to securities (asset based Sukuk) issuance. It also reviews other topics like marketing Sukuk, Sukuk administration, Sharia'a rules in Sukuk trading and Sukuk pricing.

This module is suitable for: Corporate bankers, investment bankers, lawyers, Sharia'a audit professionals, and operations team members.

- Chapter 1:** Foundations Refresher: In our first session, we review the rules of ijihad, riba, gharar, contract and possession. This is meant to assure that we use the same language and concepts throughout the program and to re-enforce or primary concepts. We also provide a working review of the main tools of Islamic finance in the context of how these will fit into a capital markets context.
- Chapter 2:** What are Sukuk: This session establishes the context for modern sukuk or Islamic "bonds" and provides the Sharia'a basis for sukuk. We look at the AAOIFI Sharia'a standards for sukuk and the purposes and contexts for issuing Islamic securities and how these have a bearing on structures. Will our deal be a general obligation deal, a covered/secured deal, or a securitization involving True Sale and securitization? The current issues relating to SPV's in MENA and KSA are reviewed.
- Chapter 3:** Key Sukuk Structures 1: This session analyzes the distinct types of sukuk structures based on the main types of Islamic sales (murabaha, salam and istisna'a).



- Chapter 4:** Key Sukuk Structures 2: This session analyzes the distinct types of sukuk structures based on Islamic leasing contracts.
- Chapter 5:** Key Sukuk Structures 3: This session analyzes the distinct types of sukuk structures based on the main types of Islamic equity (musharaka and mudaraba) and agency (wakala) contracts. The session ends with a discussion of the AAOIFI Sharia'a rules governing equity and agency concepts and why there have been issues in the market relating to the adherence to the AAOIFI rules.
- Chapter 6:** Taking Sukuk to Market: This session takes a sukuk deal from inception to issuance, reviewing each step including due diligence, structuring, enhancement and sweeteners, whether or not ratings are required, and through the road show.
- Chapter 7:** Sukuk Administration: This session describes the analyzes the unique steps involved in processing sukuk post-closing. The duties of the trustees and administrators are reviewed.
- Chapter 8:** This session summarizes the issues integral to the trading or restricting the trading of sukuk. There is also a Sukuk pricing game to illustrate the concept of price and yield.
- Chapter 9:** Problems with Sukuk and Recovery Issues: This session deals with the types of challenges affecting the sukuk markets when the originator cannot repay the capital. It discusses Sharia'a issues and other legal challenges (eg: recovery)