

The UK's largest corporate Sukuk issuance; London Stock Exchange hosts Sukuk Summit



UK

By Suhail Ahmad

After proposing its first-ever Sukuk offering in January, Al Rayan successfully closed the largest corporate Sukuk issuance in the UK's history last month with the Tolkien Funding Sukuk No 1 raising GBP250 million (US\$349.18 million) in capital. The Sukuk facility was rated 'A' and priced at 0.8% above the LIBOR rate. The bank did have to pay a relatively larger premium in comparison to conventional residential mortgage-back securities (RMBSs). As an example, the Nationwide Building Society issued an RMBS on the same day for a premium of only 0.37% above the LIBOR.

Nevertheless, the successful sale of Al Rayan's Sukuk is a welcome development for the industry which has

been recently overshadowed by the legal dispute between energy company Dana Gas and its Sukukholders since last year, a dispute which is still being contested in the courts.

On the 5th March, the London Stock Exchange hosted a timely Sukuk Summit to discuss ways to facilitate and support the issuance of Sukuk in the UK. With a keynote address from Dr Bandar Hajjar, the president of the IDB, the event brought together thought leaders from across the country. "We have a real opportunity to recognize the potential of Islamic finance here in the UK," Dr Bandar said in his address. "Both the UK government and the IDB are actively promoting this objective." Considering the Jeddah-based IDB has capital of US\$33 billion, with an initial funding plan of US\$2.5 billion for the first half of 2018, it could definitely help accelerate

the growth and development of Islamic finance projects and funding in the UK.

At the same event, the Bank of England also proposed to offer Shariah compliant liquidity tools to a wider range of financial institutions beyond Islamic banks to boost the growth of Islamic financial institutions such as mortgage companies, insurance and leasing firms. According to Arshadur Rahman, a manager in the Bank of England's Sterling Markets Division, the central bank is working on a fund-based deposit model. It would be able to help Islamic financial firms meet regulatory requirements for liquid asset buffers. ☺

Suhail Ahmad is the founder of the Financial Network and a partner at Gateway Islamic Advisory. He can be contacted at suhail.ahmad@gatewayllp.com.

Profitable start in Doha



QATAR

By Amjad Hussain

The past month has witnessed a number of key developments in the financial sector in Qatar. In addition to a number of banks announcing their profit distributions, a number of landmark transactions in Qatar or concerning Qatari financial institutions were announced in recent weeks. These announcements demonstrate the strong and diversified position of the Qatari financial sector.

Perhaps the development that was a cornerstone in the Qatari financial sector was the recent listing of the QE Index ETF (QETF) on the Qatar Stock Exchange (QSE). The QETF will track the QE Index that measures the price performance of the top 20 largest and most liquid companies on the QSE. The QETF was established by Doha Bank and is managed by Amwal. It is the largest exchange-traded-fund (ETF) in the GCC, has among the lowest expense ratios of any MENA equity fund globally and will make annual distributions to unitholders based on income received from the underlying securities.

The other milestone transaction relates to Masraf Al Rayan which announced that Al Rayan Bank UK, which is 68.84% owned by Masraf Al Rayan, is about to complete the first-ever issuance of Sukuk valued at GBP250 million (US\$348.22 million) through residential mortgage-backed securities making it the first bank to issue Sukuk outside an Islamic country. The Sukuk will be the largest-ever pound sterling issuance of Sukuk by a UK entity.

The Qatar National Bank (QNB) Group has mandated CI Capital in Egypt to advise on the necessary action to sell approximately 2.1% of its stake in QNB Al Ahli Egypt, to reach approximately 95% after the sale, in order to comply with the free-float requirements of the Egyptian Stock Exchange and the requirements of other concerned local regulators.

Finally, the annual general meeting of Doha Bank unanimously agreed to issue bonds using its Doha Bank euro medium-term note (EMTN) program. The main components of the bonds are: i) they will be in varying amounts which will, in aggregate, not exceed the EMTN program value of US\$2 billion, ii) no



single deal will exceed US\$1 billion; iii) they will be issued in various currencies and iv) they may be issued in varying maturities not exceeding 30 years.

The first quarter of 2018 is nearing its end and signs are positive and promising that the financial sector in Qatar will continue to grow from strength to strength in the coming months. ☺

Amjad Hussain is a partner at K&L Gates. He can be contacted at Amjad.Hussain@klgates.com.