



Globalization of Sukuks – Where Does Malaysia Fit In

The 15th Malaysian Capital Market Summit

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Overview of Legislations and Regulations for Islamic Finance

In Malaysia and elsewhere...

Islamic finance industry is developed, managed and regulated differently in different jurisdictions...

TYPE	DESCRIPTION
<p>Pure Banking System (where Islamic finance is the only component of the financial market as claimed by government)</p>	<ul style="list-style-type: none"> Countries whose Constitution requires the banking system to be fully Islamic: Iran, Sudan, Pakistan (1985-2001)
<p>Dual Banking System (where Islamic finance co-exist side by side with conventional finance)</p>	<ul style="list-style-type: none"> Countries having specific enabling Islamic banking legislation: Malaysia, Brunei, Indonesia.
<p>Parallel Banking System (where Islamic finance industry is a subset of conventional finance)</p>	<ul style="list-style-type: none"> Countries that has no specific enabling legislation but have specific regulation and/or provisions under general financial market regulation for Islamic finance: UAE, Saudi Arabia, Kuwait, US, Pakistan (since 2001), Bahrain, Singapore, UK.

Overview of Islamic Debt Capital Market or Sukuk Market

In Malaysia and elsewhere...

Snapshot on Islamic debt capital market or sukuk market products...

Under this section, we will look at the Sukuk market in 3 parts as follows:

- ❑ The types of Sukuk and Conventional Bonds that CIMB has lead managed and arranged as to date
- ❑ The available Sukuk principles used here in Malaysia and the players
- ❑ What are available out there (ex-Malaysia) and the detailed comparison in terms of principles used here in Malaysia and at global level

Sub-Section 1

Sukuk Availability in CIMB Group vs. Conventional Bonds

Comparison between conventional bonds and sukuk...

CONVENTIONAL BOND	SUKUK	UNDERLYING PRINCIPLES
Medium Term Notes (MTN)	Islamic IMTN	Bai' Bithaman Ajil (BBA), Murabahah, Istisna', Wakalah, Musyarakah and Ijarah
Commercial Papers (CP)	Islamic CP	Murabahah and Musyarakah
Plain Vanilla Bond	Plain Vanilla Sukuk & Trust Certificate	BBA, Murabahah, Istisna', Wakalah, Musyarakah, Ijarah and Istina' Ijarah
Sub Bond	Sub Sukuk	Musyarakah
Exchangeable Bond	Exchangeable Trust Certificate	Musyarakah
Asset Backed Securities (ABS) / Mortgage Backed Securities (MBS)	Islamic ABS / Islamic MBS	Musyarakah

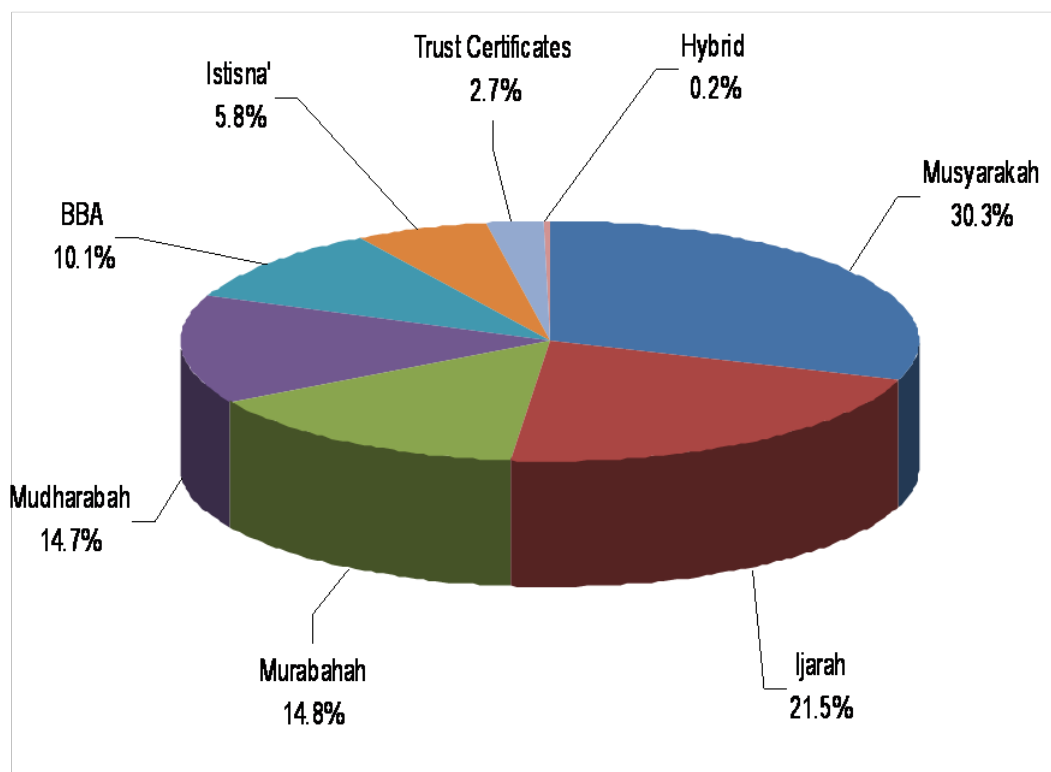
- ❑ The above tabulates the conventional and the Islamic Debt Capital Markets (IDCM) instruments which CIMB has advised/arranged till to date.
- ❑ Further, also included is an elaboration of underlying principles used for Sukuk issuances since 2001*

Sub-Section 2

Sukuk Availability in Malaysia

MALAYSIA : Corporate sukuk issuances...

Outstanding Corporate Sukuk Issuances by Underlying Principle



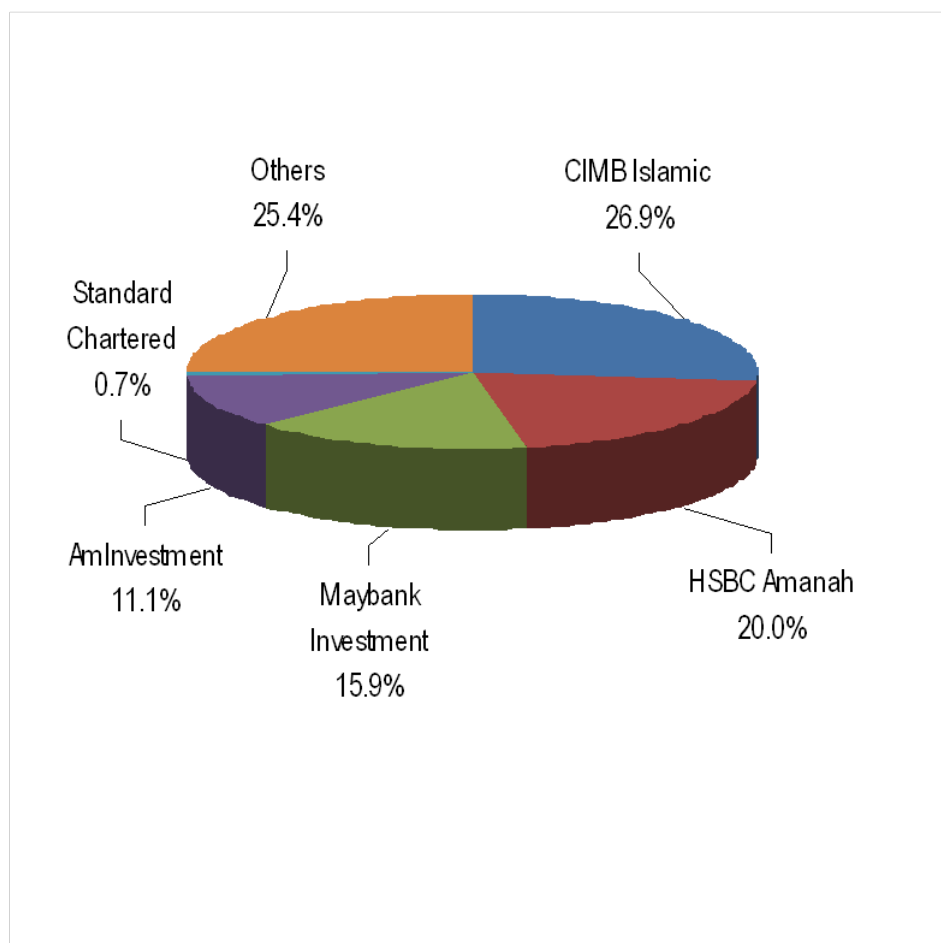
	USD 'mil	%
Musyarakah	24,458	30.3%
Ijarah	17,333	21.5%
Murabahah	11,913	14.8%
Mudharabah	11,848	14.7%
BBA	8,174	10.1%
Istisna'	4,692	5.8%
Trust Certificates	2,150	2.7%
Hybrid	136	0.2%
TOTAL	80,704	100.0%

Note:

- Amount includes non-RM issuances. Eg: USD1.5 billion Sukuk Ijarah by Petronas Global Sukuk Limited in 2009
- Hybrid Sukuk includes 2006's issuance of RM950 million of Sukuk Mudharabah-Istisna' by Mukah Power Generation

MALAYSIA : Overview of corporate sukuk issuances...

Outstanding Corporate Sukuk Issuances Led Arranged by Leading Banks in Malaysia and Value












	USD 'mil	%
CIMB Islamic	21,689	26.9%
HSBC Amanah	16,159	20.0%
Maybank Investment	12,793	15.9%
Am Investment	8,993	11.1%
Standard Chartered	592	0.7%
Others	20,477	25.4%
TOTAL	80,703	100.0%










Sub-Section 3

Sukuk Availability Elsewhere Matrix Against Malaysia

GLOBAL: Overview of sukuk by type in selected countries...

Overview of Sukuk Type Globally									
	 Malaysia	 United Arab Emirates	 Bahrain	 Saudi Arabia	 Turkey	 Pakistan	 United Kingdom	 Singapore	 Indonesia
IMTN	√	√	-	-	-	-	-	√	√
ICP	√	-	√	-	-	-	-	-	-
Plain Vanilla Sukuk & Trust Certificates	√	√	√	√	-	√	√	√	√
Sub Sukuk	√	-	-	√	-	-	-	-	√
Convertible ("C") / Exchangeable ("E") Trust Certificates	E	C	-	-	-	-	-	-	-
IABS / IMBS	√	-	-	-	-	-	-	-	-










GLOBAL: Overview of underlying principles used for sukuk in selected countries...

Overview of Underlying Principle Used for Sukuk Globally									
	 Malaysia	 United Arab Emirates	 Bahrain	 Saudi Arabia	 Turkey	 Pakistan	 United Kingdom	 Singapore	 Indonesia
Wakalah	√	√	√	√	-	-	-	-	-
Ijarah	√	√	√	√	-	√	-	√	√
Istisna'	√	√	-	√	-	-	-	-	-
Mudharabah	√	√	-	√	-	-	-	-	√
Murabahah	√	√	√	√	-	-	-	-	-
BBA	√	-	-	-	-	-	-	-	-
Musyarakah	√	√	√	-	-	-	-	-	-
Salam	-	-	√	-	-	-	-	-	-

- The information on this slide and the one before are based on the data from Bloomberg
- Our analysis shows that Plain Vanilla Sukuk & Trust Certificate are the most popular Sukuk while Ijarah is the most popular underlying principle applied for Sukuk globally.

GLOBAL: Overview of amount of corporate sukuk issuances in selected countries...

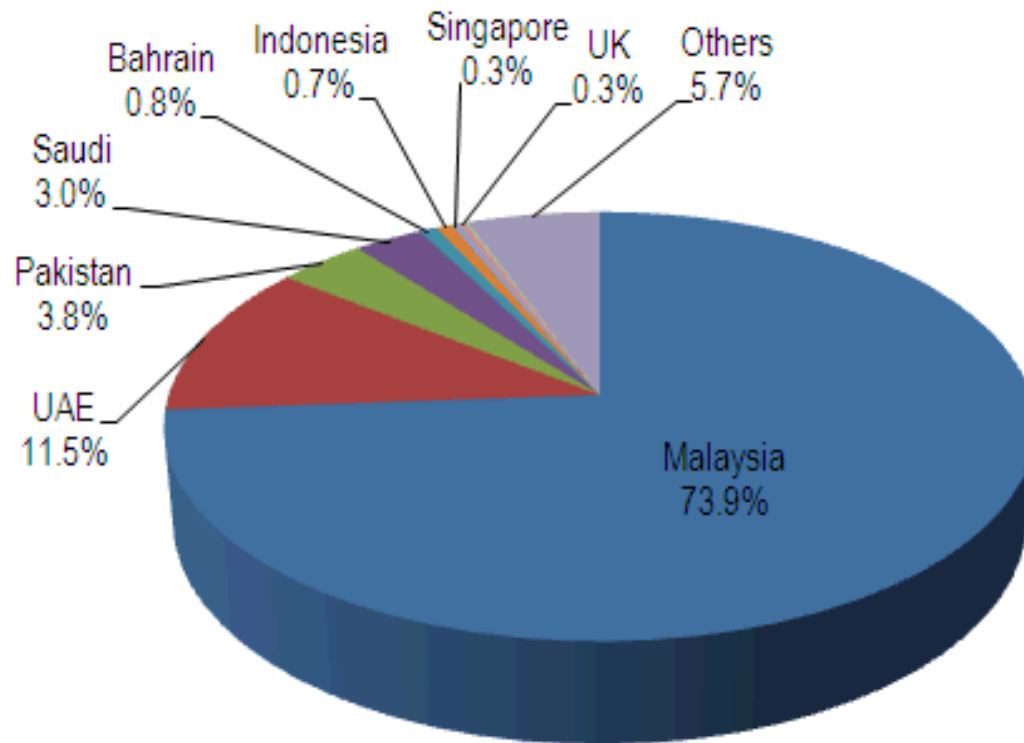
Outstanding Corporate Sukuk Issuances by Country and Underlying Principle

(USD 'mil)	 Malaysia	 United Arab Emirates	 Bahrain	 Saudi Arabia	 Turkey	 Pakistan	 United Kingdom	 Singapore	 Indonesia	Others
Ijarah	17,333	1,520	110	590	-	22	-	159	540	2,180
Musyarakah	17,061	4,737	300	-	-	359	261	-	-	1,308
Murabahah	19,323	-	210	187	-	19	-	-	-	-
Mudharabah	1,618	2,093	-	667	-	12	-	-	115	638
Istithmar	-	-	-	1,333	-	2,900	-	141	-	500
Istisna'	4,724	-	-	-	-	-	-	-	-	-
Wakalah	1,094	-	-	-	-	-	-	-	-	-
Exch Trust Certificate	2,150	2,830	-	-	-	-	-	-	-	463
BBA	8,174	-	-	-	-	143	-	-	-	-
Hybrid	136	-	134	18	-	-	-	-	-	-
Others	-	-	-	67	-	205	-	-	-	551
TOTAL	71,612	11,180	754	2,862	-	-	261	300	655	5,640

Source: IFIS as of 5th August 2010
Bloomberg, 3 July 2010

GLOBAL: Corporate sukuk issuances by country...

Outstanding Corporate Sukuk Issuances by Country and Value



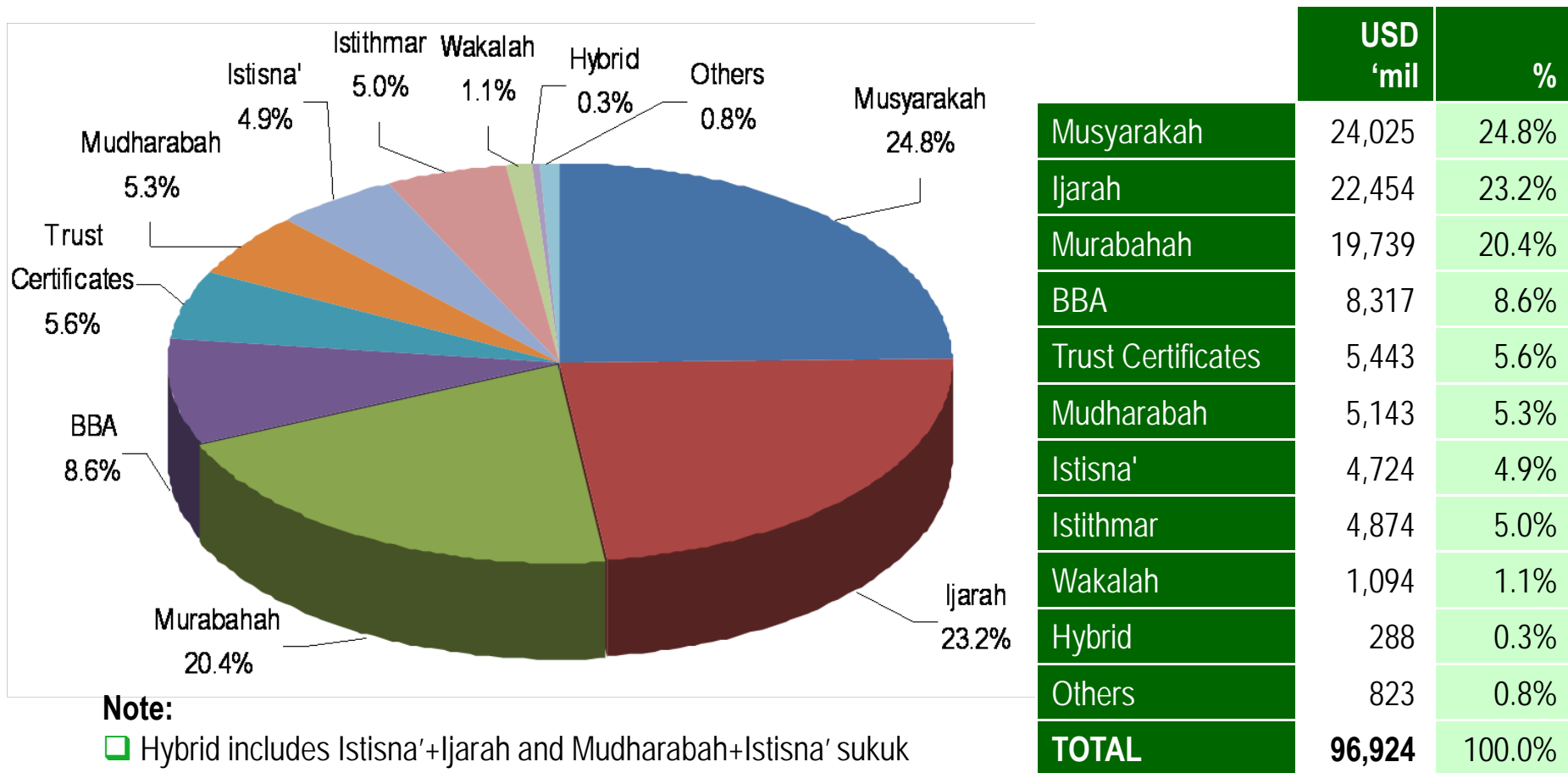
	USD 'mil	%
Malaysia	71,612	73.9%
UAE	11,180	11.5%
Pakistan	3,659	3.8%
Saudi	2,862	3.0%
Bahrain	754	0.8%
Indonesia	655	0.7%
Singapore	300	0.3%
UK	261	0.3%
Others	5,640	5.8%
Turkey	-	0.0%
Iran	-	0.0%
TOTAL	96,924	100.0%

Note: Malaysia's total outstanding Sukuk issuances in slides 11 and 12 differ from this slide and slide 18. Reasons are:

- IFIS does not segregate Malaysian issuances which have more than one lead arrangers, thus caused to double counting;
- The lead arrangers and the underlying principles for some outstanding Sukuk issuances are not specified.

GLOBAL: Corporate sukuk issuances by types...

Outstanding Corporate Sukuk Issuances by Underlying Principle and Value



Note:

- Hybrid includes Istisna'+Ijarah and Mudharabah+Istisna' sukuk
- Others include Sukuk with unidentified underlying principles

Last Words on Globalisation of Sukuk

In Malaysia and elsewhere...

Key observations of sukuk in Malaysia and elsewhere...

- Malaysia has the most comprehensive legislation and regulation on Islamic finance including Islamic debt capital market
- The statistics shows great demand for Sukuk since 2001 and has been experiencing a constant growth judging from the increasing numbers and amount of issuances over the years
- To support this positive growth, the right framework of legislation, regulation, and legal MUST be in place. Malaysia's framework should be emulated by any jurisdiction serious at doing Islamic finance
- Sound Shariah management at the regulatory level is another factor that is imperative to promote and safeguard the momentum of the industry's progression

Thank you