INTRODUCTION:

BOND'S MARKET:

Before going through the bonds market, let's define, what are bonds? Bonds are long-term debt obligations that are secured by a specified asset or a promise to pay. The certificate itself is evidence of a lender-creditor relationship. It is a loan which is intended to be bought and sold.

The bond market (also known as the debt, credit, or fixed income market) is a financial market where participants buy and sell debt securities, usually in the form of bonds. As of 2006, the size of the international bond market is an estimated $45 trillion, of which the size of the outstanding U.S. bond market debt was $25.2 trillion. Nearly all of the $923 billion average daily trading volume (as of early 2007) in the U.S. bond market takes place between broker-dealers and large institutions in a decentralized, over-the-counter (OTC) market. It is clear from this definition that in the conventional system of bond issuance and trading the issue of interest is at the centre of any transaction. In contrast, in the Islamic financial system interest is the first elements to be avoided. Bond markets in most countries remain decentralized and lack common exchanges like stock, future and commodity markets. This has occurred, in part, because no two bond issues are exactly alike, and the number of different securities outstanding is far larger. However, the New York Stock Exchange (NYSE) is the largest centralized bond market, representing mostly corporate bonds. The NYSE migrated from the Automated Bond System (ABS) to the NYSE Bonds trading system in April 2007 and expects the number of traded issues to increase from 1000 to 6000

Types of elements in the Conventional bonds market are.

Corporate Bonds:

A Corporate Bond is a bond issued by a corporation. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date. (The term "commercial paper" is sometimes used for instruments with a shorter maturity.)Sometimes, the term "corporate bonds" is used to include all bonds except those issued by governments in their own currencies.

Government Bonds:

A government bond is a bond issued by a national government denominated in the country's own currency. Bonds issued by national governments in foreign currencies are normally referred to as sovereign bonds.

Municipal Bonds:

A municipal bond (or muni) is a bond issued by a city or other local government, or their agencies. Potential issuers of municipal bonds include cities, counties, redevelopment agencies, school districts, publicly owned airports and seaports, and any other governmental entity (or group of governments) below the state level.

WHAT IS ISLAMIC BANKING?

Islamic banking refers to a system of banking or banking activity that is consistent with Islamic law (*Sharia*) principles and guided by Islamic economics. In particular, Islamic law prohibits usury, which is the collection and payment of interest, also commonly called *riba* in Islamic discourse. In addition, Islamic law prohibits investing in businesses that are considered unlawful, or haraam (such as businesses that sell alcohol or businesses that produce media such as gossip columns or pornography, which are contrary to Islamic values). In the late 20th century, a number of *Islamic banks* were made, to cater to this particular banking market.

ISLMAIC FINANCE AND ITS DEVELOPMEN:

Islamic finance, based on Islamic law (*sharia*), mandates risk- and profit-sharing, prohibits interest payments, and emphasizes fair investments that contribute to the greater good of society. Islamic financial products offer an appealing alternative to conventional portfolios. In 2002, not long after the tragic events of September 11, 2001, then U.S.Treasury Secretary Paul O’Neill was quoted as saying, “It took me six months to realize that Islamic finance was a legitimate way of doing business”—a statement that aptly captured non-Muslim public sentiments about the industry. Since then, Islamic finance has recorded dramatic growth, with a presence now in more than 75 Muslim and non-Muslim countries. Sharia-compliant assets worldwide are currently estimated at $1 trillion and growing at 15–20% annually. The industry’s total assets and overseas portfolios are estimated to reach $4 trillion by 2010.With the integration of Islamic finance and banking into the global economy, the appeal of this financial system as a market for global capital is expanding. Diverse financial products and services, progress in developing regulatory frameworks, and enhanced international linkages are driving the industry’s growth.

Islamic Financial Institutions (IFIs) are now evolving at a rapid pace around the world, where they either co-exist with a parallel system of conventional financial services (Pakistan, Bahrain, United Arab Emirates, Saudi Arabia, Malaysia, Indonesia etc.), or operate in a completely Islamic financial system (Iran, Sudan). Among the more significant recent developments in Islamic finance has been the development of the sukuk market. Although the size of the market is modest by global standards, the sukuk market has experienced remarkable growth, increasing at an average annual rate of 40%.This growth is spurred in part by the growing funding requirements in emerging market economies, in Asia and the Middle East in particular, in which there have been increased investment activity. Significant demand for the sukuk also has been spurred by the high levels of surplus savings and reserves in Asia and the Middle East. This strong demand has been reinforced by financial flows in the international financial systems that are in search of higher returns and greater diversification of risks.

It is estimated, however, that approximately 80% of the sukuks issued have been subscribed to by conventional international investors. Besides the intrinsic value of sukuks, which are largely asset-backed and convertible for shares or exchangeable with shares, such issuances are attractive because they have a wider investor base comprised of both conventional and Islamic investors. With the rising wealth of global investors seeking sharia-compliant investments, the market has become highly competitive, prompting corporation’s world-wide—including global multinational companies—to consider this as a financing option.

Debt markets are an integral part of the financial sector and effectively supplement the funds provided by the banking sector. In emerging economies these markets are still at an early stage of their development. Islamic law (Shari'ah) prohibits the charging and paying of interest. Therefore, in countries where Muslim population constitutes an important segment of the society, traditional debt markets cannot flourish. Hence there is a high demand and need for developing alternatives to traditional debt markets that can be acceptable to the Islamic law.

As a result, there has recently been a rapid growth of a thriving multi billion dollar market in Shari'ah compliant sovereign and corporate Islamic structured financial instruments known as Sukuk. In Islamic capital markets, interest rate swaps and other conventional forms of derivative instruments such as credit derivatives and detachable options are not available as Islamic law also prohibits these. Therefore, risk management requirements and considerations for competitiveness should force the Sukuk structures to further evolve and offer Shari'ah compliant alternatives to traditional derivatives. Without Sukuk structures with such depth, the financial markets may not fully develop in many emerging economies.

ISLAMIC BONDS (SUKUK)

SUKUK

In Islam, fixed income or termed as interest (riba') bearing bonds are not permissible. Hence, Sukuk is considered as securities that comply with the Islamic law. Its investment principles prohibit the charging, or paying of interest. Financial assets that comply with the Islamic law can be classified in accordance with their tradability and non-tradability in the secondary markets.

Shariah-compliant assets worldwide are worth an estimated more than RM1,750 billion and have grown at more between 8-12 per cent per year over the past decade, and in the Gulf and Asia, Standard & Poor's estimates that 20 per cent of banking customers would now spontaneously choose an Islamic financial product over a conventional one with a similar risk-return profile.

In the recent past, sukuk or Islamic bonds have become an important and popular issue.

While the Arabic word claims an ancient past that outdates the history of modern finance (some allege that the term sukuk whose singular is sakk is the etymological root of the English word “check”), sukuk are a recent innovation that allows Islamic Finance to participate in yet another area of conventional finance. Based upon existing Islamic Financial transactions, sukuk offer Islamic financial institutions and investors another way to raise capital through profit sharing without a prime rate, but achieving the same result as conventional finance. Sukuk appear to be a product that contributes to and accelerates the process of convergence between the world of Islamic Finance and that of conventional finance, sparking a convergence based upon common interests and principles. Under certain circumstances, these sukuk may be traded on secondary markets, contributing to their widespread accessibility and popularity and, perhaps, to the emergence of certain hubs of Islamic Finance through out the world where these sukuk are traded.

Modern sukuk or Islamic bonds are better described as Islamic investment certificates. This distinction is as crucial as it is important, and it is stressed throughout this pioneering work that sukuk should not simply be regarded as a substitute for conventional interest-based securities. The aim is not simply to engineer financial products that mimic fixed-rate bills and bonds and floating-rate notes as understood in the West, but rather to develop innovative types of assets that comply with Shari’a Islamic law.

In classical period Islam sakk (sukuk) – which is cognate with the European root ‘cheque’, meant any document representing a contract or conveyance of rights, obligations or monies done in conformity with the Shariah. Empirical evidence shows that sukuk were a product extensively used during medieval Islam for the transferring of financial obligations originating from trade and other commercial activities.

On the other hand, the essence of sukuk, in the modern Islamic perspective, lies in the concept of asset monetisation - the so called securitization - that is achieved through the process of issuance of sukuk (taskeek). Its great potential is in transforming an asset’s future cash flow into present cash flow. Sukuk may be issued on existing as well as specific assets that may become available at a future date.

The sukuk market valued for more than RM175 billion (at the end of 2006) is due for an exponential rise in 2007 with every issue likely to be oversubscribed 5 to 6 times amid a fast growing interest in the western countries. One point to note here that Shari'ah requires that financing should only be raised for trading in, or construction of, specific and identifiable assets. Trading in 'indebtedness' is prohibited and so the issuance of conventional bonds would not be compliant. Thus all Sukuk returns and cash flows will be linked to assets purchased or those generated from an asset once constructed and not simply be income that is interest based. For borrowers to raise compliant financing they will need to utilize assets in the structure (which could be equity in a 'tangible' company). It is worth noting that Equity financing is Shari'ah compliant and fits well with the risk/return precepts of Islam.

In the eyes of Islamic Jurisprudence or As Shari'ah, money is a measuring tool for value and not an 'asset' in itself, it requires that one should not take or receive income from money (or anything that has the genus of money) alone or in other words "if money generates money per say" it will tantamount to riba'. This generation of money from money (simplistically interest) is 'Riba', and is forbidden. The implications for Islamic financial institutions are that the trading/selling of debts, receivables (for anything other than par), conventional loan lending and credit cards are not permissible.

Now come the question of uncertainty or 'Gharar' principle. It is widely understood to mean the uncertainty in the existence of an underlying asset in a contract and/or uncertainty in the contractual terms and this is an issue for Islamic scholars to address when considering the application of derivatives. Syari'ah also incorporates the concept of 'Maslahah' (Public interest), denoting that, if something is overwhelmingly in the public good, it may yet be transacted – and so hedging or mitigation of avoidable business risks, may fall into this category but there is still much discussion yet to come.

Sukuk are widely regarded as controversial due to their perceived purpose of evading the restrictions on Riba. Conservative scholars do not believe that this is effective, citing the fact that a sukuk effectively requires payment for the time-value of money. This can be regarded as the fundamental test of interest. Sukuk offer investors fixed return on their investments which is also similar in appearance to interest in that the investor's return is not necessarily dependent on the risks of that particular venture.

Basics of Sukuk

Sukuk is popularly known as an Islamic or Sharia compliant 'Bond' whilst in actual fact; it is an asset-backed trust certificate. In its simplest form Sukuk is a certificate evidencing ownership of an asset .The Sukuk structures rely on the creation of a Special Purpose Vehicle (SPV).SPV would issue Sukuk certificates which represent for example the ownership of an asset, entitlement to a debt or to rental incomes or even accumulation of returns from various Sukuk (a hybrid Sukuk). The return provided to Sukuk holders therefore come in the form of profit from a sale, rental or a combination of both.Sukuk could be based on Mudaraba, Musharaka, Murabaha, Salam, Istisna, Ijara or hybrid of these.

Standard and Poor's estimates that 20 per cent of those investors, with billions to invest, would now spontaneously choose an Islamic financial product over a conventional one with a similar risk-return profile. That has led to the increased use of the Sukuk, especially in the Gulf countries and Malaysia. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), defines Sukuks as "certificates of equal value representing after closing subscription, receipt of the value of the certificates and putting it to use as planned, common title to shares and rights in tangible assets, usufructs and services, or equity of a given project or equity of a special investment activity." Introduced in varied structures and sizes, Sukuks worth $20 billion hit the market in 2006 and are expected to surpass $50 billion in 2007 as the companies seek to diversify their sources of financing. Although companies in Kuwait, Bahrain, Saudi Arabia and Qatar have all been actively using Sukuk financings over the years, Malaysia led the Sukuk issue market in 2006 with a share of about 60 per cent. That year also witnessed the first Sukuk that originated in the United States. The trends in 2007 clearly suggest that the United Arab Emirates, especially Dubai, have most likely taken over the lead. Sukuk structures are being used for a variety of purposes and have evolved rapidly in response to the demands of issuers and investors. Sukuk issues have ranged from the simple sale and leaseback (Ijara) structures, such as the $1 billion Dubai Department of Civil Aviation Sukuk issued in November 2004, to the $2.53 billion trust finance Sukuk structure issued by Aldar Properties in March 2007, demonstrating the flexibility of Islamic finance principles.

TYPES OF SUKUK

Sukuk Ijarah:

Ijarah is a contract according to which a party purchases and leases out equipment required by the client for a rental fee. The duration of the rental and the fee are agreed in advance and ownership of the asset remains with the lessor. Hence, the relationship between the parties differs from that of a debtor-creditor relationship since it is based on buyer-seller of an asset.

Ijarah bonds, on the other hand are securities of equal denomination of each issue, representing physical durable assets that are tied to an ijarah contract as defined by shari'ah. The basic feature of Ijarah bonds is that they represent leased assets, i.e. without relating the bonds holders to any common organization, company or institution. For instance, an aircraft leased to an airline can be represented in bonds and owned by a thousand different bondholders, each of them, individually and independently, presenting his bond (s) to the airline company and collecting the periodic rent without having to have any relation with other bondholders. In other words, the Ijarah bondholders are not owners of a share in a company that owns the leased airline, but simply a sharing owner, who only owns one thousandth or more of the plane itself.

SUKUK ISTISNA:

Istisna' is a contract to sell a manufacturable thing with an undertaking by the seller to present it manufactured from his own material, according to specified description and at a determined price.
This type of sukuk is used for the advance for funding for real state development, major industrial products or large items of equipment such as turbines, power plants, ships or maybe aircrafts.
The Islamic financial institution funds the manufacturer or the contractor during the construction of the assets,, acquires title to that asset and up to completion either immediately passes title to the developer on agreed deferred payment terms or, possibly, leases the asset to the developer under Sukuk Ijarah

SUKUK MUDARABAH:

This is an agreement made between two parties, one who provides the capital and the other party (the entrepreneur) provides the services. It is to enable the entrepreneur to carry out business projects, which will be on profit sharing basis, according to predetermined ratios agreed on earlier by the two parties. In case of loses, loses are born by the provider of the funds only. Sukuk Mudarabah is used to enhance public participation in big investment projects. It should be noted that *mudarabah* bond bears close resemblance to revenue bond financing in the conventional system. Revenue bonds are generally backed only by revenue generated by the project funded by the bond issue.
For example a city wants to build a new airport, believing that the new facility will attract industry to the area. The local government issues revenue bonds to finance the construction of the airport. The money for the periodic dividend payment and eventual retirement of the bonds come from airplane lending fees, ticket counter and concession rental, hanger rentals airline fuel surtaxes, and other revenue associated with the facility. In other words, only revenue generated by the airport can be used to service the airport revenue bonds. If the airport generates enough revenue to pay off the bonds, then bondholders receive their interest and principal in full and on time. However, if the airport does not generate enough revenue, bondholders either receive their interest and principal later or nothing at all. They have no recourse to the

local government's general treasury fund. The bondholders are solely dependent on the revenue generated by the project being financed.

Sukuk Musharakah:

These are investment sukuk that represent ownership of musharakah equity. The structure of musharakah requires that both parties should provide financing to the project. In case of loses, both parties will lose to the size of their investment. Sukuk Musharakah are usually to mobilize funds to establish new projects, or to develop a existing one, or to finance a business activity on the basis of partnership contracts.It should be noted that almost all the criteria applied to mudarabah bonds are also applicable to the circulation of musharakah bonds.

CURRENT TRENDS AND DEVELOPMENTS IN SUKUK – A MARKET OVERVIEW

Global and local sovereign/corporate Sukuk market currently exceeds an aggregate issuance value of approximately US$ 47 billion to date and is expected to surpass the US$150 billion mark before the end of this decade Up till November 2006, US$17.3 billion in Sukuks have been issued, up 46% from the whole of last year .Malaysian Sukuk issuance to date stands at US$32 billion approximately GCC issuance of Sukuk accounts for US$13 billion of the global total, with a growth rate of around 45% a year since 2001

UNITED KINGDOM

.Over the past two years London based financial institutions have arranged more than a dozen Sukuk issuances on behalf of Middle Eastern clients, all of them structured in offshore jurisdictions .London Stock Exchange listed its first sukuk – the US$ 200 million offering by National Central Cooling Company (Tabreed) PJSC. This should pave the way for further Sukuk listings on the regulated European markets. Sukuks have previously been listed in Luxembourg and Dublin .Britain is set to introduce new regulatory framework and tax reforms to support the domestic issuance of Sukuk by next year

UNITED STATES

A US Company entered the Sukuk market for the first time with East Cameron Gas Company's US$ 166 million issue in July to consolidate assets and fund development of gas fields. The Sukuk was also the first Islamic bond using hydrocarbon reserves as an asset class

CHINA

The Kuwait Finance House is set to launch the first Islamic bond issue in China. The US$ 200 million Sukuk for a Chinese private sector corporate firm will be used to fund a power plant project

JAPAN

Japanese government's Bank for International Cooperation (JBIC), is working with Bank Negara, Malaysia's Central Bank and private Malaysian banks to issue a Sukuk to attract Middle Eastern liquidity.
When materialized Japan will become the first Group of Seven to issue an Islamic bond .JBIC has assembled a board of advisors comprising of four Shariah scholars from Saudi Arabia, Malaysia and Pakistan .Bank of Tokyo-Mitsubishi UFJ Ltd., is allying with Malaysian bank CIMB Group Bhd., to sell financial services including Japanese potential corporate Sukuk

INDONESIA

Indonesia is in the midst of revising tax and other regulations to support sovereign and corporate Islamic bond issuance. One of the first Sukuk to come out to market could be a US$ 650 million deal from Jakarta Monorail, aimed at easing the Indonesian capital's transport network. The legal framework is expected to be in place for the first issue by the first quarter of 2007.

INNOVATIVE STRUCTURES AND TRENDS

HYBRID SUKUK

Based on various demands of investors, a more diversified kind of Sukuk, hybrid or mixed Sukuk emerged in the market. The assets can comprise of Istisna'a, Murabaha as well as Ijara .Islamic Development Bank issued the first Hybrid Sukuk for US$ 400 million. The assets comprised 66% Sukuk al-Ijara, 31%Murabaha and 3% Sukuk al-Istisna'a .The hybrid Sukuk structure represents the potential of new structures and benefits to the investors

CONVERTIBLE SUKUK - PCFC SUKUK

The Dubai based port operator Ports, Customs and Free Zone Corporation (PCFC) issued the largest Sukuk to date, raising US$3.5 billion .This Sukuk-al-Musharaka structure was issued to bid for a takeover of P&O to make PCFC one of the three largest port operators in the world .It is the first Sukuk to be convertible into equity upon an IPO. The Sukuk was targeted in particular at Islamic investors interested in the booming IPO market in the Middle East. Therefore PCFC structured a Sukuk which was the equivalent of pre-IPO convertible bond .The PCFC Sukuk was significantly oversubscribed. The transaction demonstrates the continuing demand for sukuk products and the flexibility of sukuk, which can be adapted to meet the specific financing needs of issuers

EXCHANGEABLE SUKUK - KHAZANAH SUKUK

World's first Shariah compliant exchangeable bond. The US$750 million issue is a benchmark for global Islamic investors and conventional equity-linked investors .The certificates represent interests in a trust constituted by the issuer and are exchangeable into shares of Telekom Malaysia Berhad (TM).

TABREED SUKUK

Tabreed's US$ 200 million, five year global corporate Sukuk on behalf of National Central Cooling Company .The issue was launched to raise funds for asset purchase as well as future expansion . The transaction structure involved both a construction (Istisna'a) phase, during which Tabreed undertakes to construct and deliver cooling plants, and a leasing (Ijara) phase, during which Tabreed agrees to lease plants . During Istisna'a period, profit to the holder is paid, similar to a performance bond . The Tabreed Sukuk is also the first to be listed on the London Stock Exchange. This paves the way for further Sukuk issues to be listed on the regulated European markets

UTILITY COMPANIES ISSUING SUKUKS

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY - WAPDA SUKUK US$ 134 MILLION

The 7-year, US$ 134 million Sukuk has been issued to partially finance its Mangla Dam raising project .State Bank of Pakistan has granted the Ijara (Leasing) WAPDA Sukuk as Statutory Liquidity Requirement (SLR) eligible security for approved banks.

Below are examples of some recent Sukuk issues that show and emphasise that Sukuk has matured into a diversified, internationally-acceptable instrument to raise corporate finance for acquisitions or working capital purposes, or to re-finance existing debt, or use in the transportation sector (especially in the shipping and aircraft sectors), real estate, construction and petrochemical projects in several countries.

Sukuks by the Governments of Bahrain, Qatar and Malaysia

The Central Bank of Bahrain, on behalf of the Government of Bahrain, regularly issues Sukuk-Al-Ijara and Sukuk Al-Salam to finance various infrastructure projects in Bahrain. Malaysia's Global Sukuk, launched in June 2002, and was similarly backed by an Ijara lease on a single piece of government property. The money raised by the Government of Qatar through the $700 million Qatar Global Sukuk is being used partly to finance the construction of the Hamad Medical City.

First Airlines Sukuk - Emirates Airlines Sukuk

The first Sukuk issued by Dubai's national airlines, Emirates, closed in July 2005. At $550 million, this was the single largest corporate Sukuk issuance at that time. The Sukuk has a seven-year tenor and is structured as a Musharaka. The proceeds of the issue, which is listed on the Luxembourg Stock Exchange, will be used to finance the new Emirates Engineering Centre and their headquarters building in Dubai.

First Ship Finance Sukuk – MT Venus Glory Sukuk/Al Safeena Sukuk

In 2005, ABC International Bank jointly with Abu Dhabi Commercial Bank arranged, structured and jointly underwrote a pioneering Islamic ship finance transaction through the issuance of a $26 million Al-Safeena Ijara Sukuk. At that time, Al-Safeena Sukuk was the first issue that combined Islamic equity with conventional debt for the same asset, which in this case was VLCC (called "Venus Glory"), owned by Pacific Star (Pac Star) International Holding Corporation, which in turn is owned by Saudi Aramco, the world's largest oil exporting company.

Dubai Civil Aviation Authority Sukuk

The Dubai Civil Aviation Authority, a quasi-sovereign entity, broke the mould in 2004 by going down the Sukuk route instead of plain vanilla finance, by issuing a $1 billion Sukuk, the world's largest single Sukuk issuance in terms of size at that time by any issuer. The proceeds were used to finance the building of a new international terminal and for the expansion of existing engineering and other infrastructure. The Musharaka was set up to develop a new engineering centre and a new headquarters building on land situated near Dubai's airport that will ultimately be leased to Emirates. Profit, in the form of lease returns, generated from the Musharaka will be used to pay the periodic distribution on the trust certificates.

Bahrain Financial Harbour - Al Marfa'a Al Mali Sukuk

The Istisna'a-Ijara Sukuk, known as the Al Marfa'a Al Mali Sukuk, has been structured by the Liquidity Management Centre in accordance and in compliance with the principles of Islamic Shari'a. The Sukuk has a five-year term maturing in 2010 offering a quarterly profit distribution with the proceeds used to finance the development and construction of the Financial Centre which represents the first phase of the Bahrain Financial Harbour project comprising the Dual Towers, the Financial Mall and the Harbour House.

Dubai World Sukuk

In 2006, Dubai property developer Nakheel Group, developer of three palm-frond shaped islands off Dubai's coast, sold the world's largest Islamic bond after increasing its size by more than 40 per cent to $3.52 billion to meet demand. Nakheel will use cash from its Sukuk to fund projects in Dubai, which is leading a surge in Gulf Arab investment in construction and real-estate developments. The Sukuk has been listed on the Dubai International Financial Exchange.

DP World Sukuk

In 2007, global marine terminal operator DP World priced a $1.75 billion conventional bond and a $1.5 billion Sukuk. It is the first issuer to list both conventional and Islamic debt securities on the Dubai International Financial Exchange.

The $1.5 billion, 10-year Sukuk attracted demand globally, including from the United States. This was the first time U.S. investors had the opportunity to subscribe to a UAE corporate rated Sukuk. DP World's Sukuk is ground breaking and innovative because it is partly convertible to shares in the event the ports group lists through an initial public offering, thus becoming the first convertible instrument in the Islamic finance market. The issue is part of a large financing package being arranged for general corporate activities, ongoing business development needs, and expansion plans, including the financing of the purchase of the British rival P&O.

East Cameron Gas Sukuk

The first and only Sukuk to have originated from the United States tapped the market in 2006. The unique feature of the East Cameron Gas Sukuk was that it was the first ever Shariah compliant gas backed securitisation and was the first-ever Islamic securitisation rated by Standard and Poor’s. The $165.7 million Sukuk originated from Houston based East Cameron Partners, whose reserves are located in the shallow waters off the shores of the State of Louisana. The Sukuk was structured as a Musharaka structure in terms of the management of the assets and then a funding agreement between the issuer and the purchaser.

The initiatives taken by the governments of the UAE, Bahrain, Malaysia and the United Kingdom, to name a few, have acted as a catalyst for the evolution and growth of the Sukuk market and the development of Islamic Finance as a whole. The regulatory bodies within such countries have been actively introducing rules and regulations pertaining to the issuing and offering of Sukuks, which we hope in time will help provide standardization, resulting in the maturation of the field.