

## 2010 London Sukuk Summit Rationale



### **Harnessing the Opportunities for ICM Products in Europe**

ICG-Events are pleased to announce that the fourth annual London Sukuk Summit on the theme of 'Harnessing the Opportunities for ICM Products in Europe' will be taking place in June 2010. The conference aims to benefit from participation by financial regulators and supervisors, industry experts, as well as academics, by providing a platform to analyse factors that support the preconditions necessary for a resilient Islamic financial system in Europe.

#### **Why now?**

Sukuk issuances have witnessed a significant spike in the last year amidst signs that the global economy is on the road to recovery. In an Investors Service Special Report, Moody's have noted that current economic and capital market conditions have spurred the issuance of sukuk by sovereigns and government related entities, a move that Moody's believes will facilitate the development of a sound Sukuk market. The turnaround in Sukuk this year, posting a 40 percent increase from last year in the first ten months, has also benefited from the introduction of multifarious legislative measures serving to facilitate an enabling environment around the globe where Islamic finance can flourish.

From France to South Korea, there is talk of ushering in Sukuk issuances from governments or quasi-governmental organizations. The mood has certainly turned from the gloom of last year to one that is extremely positive. Preliminary calculations show that the growth in 2009 has completely off-set the contraction in the market experienced in 2008.

To a great extent, the challenge posed by the global economic environment has served to shape the come-back of Sukuks this year in terms of the composition of the market. Whereas corporations once led the way, the past year has witnessed sovereign and government related issuances overtaking the corporations as Sukuks open a gateway for facilitating the various programs aimed at rejuvenating economic activity whilst concurrently managing fiscal deficits.

#### **What the experts say**

Moody's believes the gradual introduction of such funds will help create a secondary market for Sukuk, whereby investors, including banks, can price their Sukuk fairly, enhancing both liquidity and secondary market tradability. "Over the past year, Moody's has received various requests to consider rating some of the recently launched Sukuk funds. We are also currently exploring ways in which to share our Sukuk analytical knowledge and global coverage with market participants, potentially

through the launch of a Sukuk market index," Mr. Faisal Hijazi, Business Development Manager for Rating Services & Islamic Finance at Moody's said in a recent statement.

Such positive sentiments are reflected across borders. Badlisyah Abdul Ghani of Malaysia's CIMB Islamic, the world's leading Sukuk arranger in the last year, noted that the market was looking at a 'very healthy' pipeline in 2010. Mohammed Dawood, head of debt capital market at HSBC Amanah also claimed that "next year will be interesting, with a good pipeline of issuance from a number of non-traditional sources".

In the wake of the most serious recession to affect the global economy in almost a century, it is clear now that the Sharia-compliant finance sector has largely escaped the turmoil experienced in the conventional finance industry. Despite the gloomy atmosphere, Islamic banking assets have grown by some 28.6 per cent to US\$822 billion so far this year according to HSBC Amanah.

### **Why London?**

In June 2009, the London Stock Exchange welcomed a US\$750 million Sukuk issued by CBB International Sukuk Company on behalf of the Government of Bahrain. This listing brought the total number of Sukuk admitted to the Exchange's markets to 19 with some US\$11 billion raised in the process. This has served to further strengthen London's position as a key global venue for Islamic Finance. Moreover, London is the world's largest financial centre and the UK has a more entrenched Islamic finance regulatory framework than most of the Muslim countries.

Under the prevailing circumstances, the 2010 London Sukuk Summit promises to be the ideal place to share and exchange 'know-how' and develop ideas that will pave the way forward for the industry. Given that Paris is currently ushering in new legislation such as Article 2011 that will provide the required regulatory framework and tax laws to cater to its potential ten million grass roots demand. The Summit will provide an excellent opportunity to serve as a platform for information dissemination and strategy navigation as well as confirm London's position as the leader for Islamic finance in Europe, and beyond.