

CHAPTER 8

Sukuk

Rethinking Sukuk While Leaping Forward

As 2014 unfolds, global investors are waiting anxiously for nerve-racking volatility and uncertainty in the world economy to settle at an acceptable and tolerable level. In Europe, investors are hoping for a resolution to the European sovereign debt crisis that will avoid escalating and propagating the woes of European economies. In addition, the US economy's path to recovery has been dominated by the contrary aims of bickering politicians. Unfortunately, it all adds up to a bigger fear—that the goal of reaching workable long term solutions to those crises on both sides of the Atlantic is not getting serious and timely attention thus reducing the options for solutions and escalating further the global economic deterioration. Austerity measures are spreading across the globe, and their implications are profoundly negative. And if that was not enough, ratings agencies are rushing into downgrading sovereign debts and financial institutions, adding insult to injury. The irony of this bleak picture is the fact that sovereign debt was created specifically to solve economic problems and stimulate the market economy. Instead, the solution itself became the problem.

Accordingly, we now have two major problems—troubled economies and bad debts—which raises the question of whether so-called capitalism (particularly the Western version) is in denial about what it promised to deliver through its interest-based system. We are left with over-leveraged economies and over-borrowed countries, not to mention the over distressed individuals who are struggling to make ends meet, and the situation will not get any better even after countries enforce their super-national lender's austerity plans and belt-tightening measures. At the same time, funding resources are drying out and funding has become more expensive, thus forcing governments, banks, and corporations alike to seek alternatives outside the interest-based (i.e.,

asset-based) system. One alternative that has received wide attention is Islamic banking and finance (IBF) and its crown jewel—sukuk. In fact, the demand for sukuk is outstripping the supply, and why not, considering the unprecedented growth in the IBF sector in the past decade. Most of that growth in the last decade (and during the global financial crisis) took place in the GCC region and some parts of Asia, which happen to be the least affected by the financial crisis.

IBF also enjoys surplus liquidity, particularly in oil-rich countries (i.e., GCC countries). Accordingly, in their quest for surplus liquidity, the rest of the world's countries and financial institutions—facing liquidity squeezes, debt crises, holding extremely risky assets, rating downgrades, and increasing unemployment—are looking toward Islamic instruments to do business. Meanwhile, with tremors of the financial crisis being felt in the background, the Arab Spring revolutions swept across the MENA region. Some countries are yet to recover from the aftermath of the Arab Spring revolutions, which continues to harvest tyrants and install Islamists who promise to embrace democracy after decades of dictatorship. After decades of suppression and rejection, IBF is starting to flourish in some of these countries, starting with Tunisia, Egypt, Libya, Morocco, and Yemen, thus adding new markets and new players as well new challenges. The majority of these countries and their newly elected, or to be elected, governments, inherited huge deficits and infrastructures in shambles with great need for liquidity as well as huge unemployment rates. Resolving these issues in the current troubled economies will require serious navigation. Logically, because Islamists hold majority of these newly elected governments, sukuk will be a favorite tool to tackle these issues. Also unfolding in the Gulf region, other countries acted ahead of

the unrest in the streets and forged ahead with their infrastructure development and social programs by expanding their budget spending and thus, with minimal confrontation, met most of the demands of the protesters and the social media campaigns. Those measures did stimulate the economy in the Gulf region.

“IBF and its institutions are an intricate part of this unsympathetic economic cycle and unstable political atmosphere. Hence, the industry is not isolated from its impacts and progressions. Accordingly, IBF should take advantage of this turmoil and come forward as the solution provider for the crisis, not just as a safe harbor for excess liquidity that seeks a better yield. In order to do so, it will need to rapidly adapt to a myriad of ongoing changes in the markets. IBF has already demonstrated its resiliency and sustainability, so it should be able to see and capture opportunities in the crisis while reserving and defending the authenticity and genuineness of Shari’a-based products.”

No dialogue or scholarly discussion about IBF would be complete without addressing one of the cornerstones of Shari’a-compliant investments instruments— sukuk. Sukuk as an instrument are less than two decades old, and recently, since 2007, they have been under intensive scrutiny about whether they are workable Islamic financial instruments. The conflict between the sukuk documents and the governing law of Shari’a, especially cross-border sukuk, arises from the differences between asset-backed and asset-based sukuk. In a true sukuk, an asset-backed one, the sukuk holders have recourse in case of default through the transfer of the underlying assets through a trust—this is known as an “equity sukuk.” In so-called “compliant” or asset-based sukuk, also known as “debt sukuk” where no true sale or real ownership transfer takes place between the originator and the issuer i.e., (trust SPV), hence sukuk units holders have recourse to originator; contrary to true sale in asset-backed sukuk, where recourse is to the sukuk’s SPV that represents the sukuk units holders ownership of the underlying assets and no recourse to the originator in case of default. Such concerns as this, or others, that have been raised by Shari’a standards setting bodies (e.g., Accounting and Auditing Organizations for Islamic Finance, or AAOIFI) are needed to further refine and tune sukuk structures without violating the principles of risk and profit sharing on which sukuk should be based. The rapid growth and mounting global interest in sukuk will bring with it new and innovative structures designed to serve specific needs and demands, consequently giving rise to new challenges and concerns. Unfortunately, the core issue remains un-addressed and unsolved — that is, the shift toward asset-backed sukuk from most of the currently issued asset-based sukuk. Essentially, the issue is related with the debate on the “substance over form”. Indicators are pointing in the right direction for a change, signaling a possible recovery on the horizon, thus the time is ripe for the sukuk to move to the next level of its development and advancement, as well as carving a place for true sukuk in the global financial market while correcting the way sukuk are being issued, structured, and administered.

Are Sukuk Really Bonds?

One of the major aberrations in the IBF industry is calling a sakk an Islamic bond. IBF does not have any structure that can be called a bond. Similarly, a bond as we know it is contrary to IBF principles. Thus, a bond cannot be called Islamic, as it is not a sakk which is an investment instrument. Accordingly, there is no such thing as an Islamic bond. Those issuances that are being called Islamic bonds are only debt instruments that are being forced to be Shari’a-compliant while mimicking many features of the conventional bond. Calling those issuances Islamic bonds is not far from the truth, even though there is no such thing as an Islamic bond. But calling them sukuk is a major distortion to the substance and a misrepresentation of the form of sukuk as a major Islamic investment product that derives its uniqueness and functionality from the equity side. Sakk is an investment instrument, in which the sukuk units represent a partial ownership of the underlying assets, with direct claim to those assets and profits in distribution or liquidation.

– Dhafer Salih Alqahtani, Executive Director and Head of MENA Region, Phoenix Capital Investments

Out of fear and concern where the sukuk industry might be heading, many practitioners and veterans of the industry have been sharing their views and suggestions to improve sukuk structures. Here are a few pointers on how we can possibly make sukuk more genuine and appealing by making them true investment certificates, while holding their creditability and conformity with Shari’a, and also preventing reputational risk in the new world order of the global financial market and in the Islamic financial markets.

1. The financial regulators in the countries where vibrant sukuk markets are emerging must play a proactive role in ensuring that sukuk emerges as a new capital market tool, clearly differentiable from the existing equity and debt based instruments. Sukuk should clearly offer a third alternative in the capital markets. Although sukuk can be based on a variety of structures like mudaraba, musharaka, ijara and salam, etc., it should be ensured that it remains as a security issued on a specific asset, or at least related with a specific asset to which the investors must have recourse in the case of default of the obligor. In this respect, the role of the financial regulator is very crucial. It is only through the financial regulators in the Muslim world that a third leg (i.e., sukuk) can be introduced in the existing two-pronged capital structure based on debt and equity.

2. In this respect, and in the context of IBF in general, it is important that the Shari’a advisory process is relooked to reform, redesign and re-position it. It is absolutely important that Shari’a advisory process not only remain central to IBF, including sukuk structuring, but is also managed by public sector. The current arms-length approach to Shari’a advisory in the Middle East is not satisfactory at all. In this respect, the approach taken by Malaysia as enacted in the Islamic Financial Services Act 2013, serves as an excellent reference point. According to the newly emerging stance on Shari’a advisory

process, the duties and mandates of Shari'a supervisory board (SSB) go beyond issuing a signed and sealed fatwa for sukuk or any product for that matter. In fact, the responsibility of fatwa issuance must lie with a national SSB or another similar body set up by or with the help of the financial regulator, and the SSB at the institutional level must ensure strict compliance with such fatawa issued by the central Shari'a body. The transaction or institution level SSBs must be fully responsible and accountable for the process of implementation and execution of fatwa until the maturity of the instrument or security, or a possible default. The Shari'a compliance and/or audit officer should spearhead such crucial functions under a direct mandate from the SSB.

3. In the short run (before more detailed legislation on sukuk is developed), all the regulators should encourage if not require asset-backed sukuk, with clear and well-defined recourse for investors while discouraging asset-based sukuk with the objective of eventually minimizing if not eradicating it altogether. This is possible only when governments and regulators in the Muslim world play an active role in legislation for Islamic financial services and institutionalisation of the Shari'a advisory process.

4. Introduction of sukuk at the retail level by allocating mandatory sizeable tranches to the retail segment will expand the trading platform of sukuk to augment accessibility, consequently expanding the secondary markets. At the same time, this may add another attractive and viable asset class for investors (i.e., sukuk) in addition to traditional investment choices such equity and real estate. As real estate as an asset class is illiquid in nature, and it is becoming too expensive to acquire by the regular investor; this gives all the more reason to push for sukuk as an alternative asset class that is liquid for the Muslim and non-Muslim investors facing limited choices.

5. Issuance of larger sukuk must contribute to the expansion of the secondary market by addressing the volume concerns, which will enhance their liquidity and marketability.

6. Increase in the number of long-term sukuk (10+ years) will increase both the diversity and the attractiveness of sukuk, particularly for long-term investors (e.g., asset managers, sovereign wealth funds, pension funds, and takaful companies).

7. Advancing and encouraging the issuance of sukuk for short and medium terms to expand the breadth and depth of secondary markets as well as the number and diversity of sukuk.

8. Government issuances should promote sukuk as a saving instrument option for individuals, allowing them to participate in major issuances at the retail level by creating retail portions for private individuals.

9. Sukuk issuance cost should be driven down, thus allowing cash-starved medium-capitalization businesses to become issuers to finance expansion and growth and fulfill one of their vital roles in the economy—jobs creation. This could come mainly through more standardization in terms of sukuk generic structures and types by AAOIFI and other standard-setting bodies for IBF (e.g.,

Islamic Financial Services Board or IFSB; International Islamic Financial Market or IIFM).

10. Infrastructure development and mega-project originators and issuers, both governments and quasi-governments, should utilize sukuk for financing their needs instead of using their surpluses. This would expand the volume of the sukuk market while directing those surpluses to more pressing issues at the social level, such as education and health care.

11. Explore and encourage innovative features and structures that are hybrid in nature, beyond the 14 sukuk types of AAOIFI (especially, the well-known sukuk ijara or leasing structure), to enhance versatility and adaptability in meeting the increasingly complex needs and situations faced by issuers.

12. Encourage new asset classes as the underlying asset other than the traditional assets (i.e., real estate and Islamic financial institutions), such as infrastructure, railroads, airports, manufacturing, power generation, education, and health care sectors, thus widening diversity as well as the risk profile for sukuk. Similarly, encourage more issuances in local currencies other than the dollar.

13. The regulators can improve the sukuk issuance practices and bring better safeguards against any undue risks that the investors may face by improving the disclosure and transparency requirements, sukuk holders' rights and obligations to the underlying assets, including the case of default, market risk, pricing, fees, charges, and uses of the funds. Similarly, risk and return prevailing conditions with their essential dynamics should be embedded in the transparency and disclosure process, both quantitative and qualitative.

14. While a lot of academicians have been raising concerns on different sukuk structures, there is very little credible and academically rigorous research available on Islamic capital markets in general and on sukuk in particular. This is primarily because of a big divide between practitioners and those who are engaged in research and teaching in IBF. Even those institutions that claim to be centers of excellence in IBF have very limited expertise and in-depth knowledge of the practice of IBF. Therefore, it is important that such educational and research institutions must initiate research projects on different aspects of Islamic financial products. In context of the sukuk debate, there is a need to model risk in sukuk structures. Until now, it has by and large been assumed that the sukuk do not differ from conventional bonds in their risk and return profiles. This is perhaps true. However, there is a need to embark upon a comprehensive research project on the introduction of sukuk as a third pillar in the capital structure of the firm. This obviously requires research funding for which the industry should contribute to a global research and development fund.

15. IBF standard setting bodies (e.g., AAOIFI and IFSB) should move beyond their present mandate by being vocal in raising awareness of need for adopting their regulatory frameworks on institutional as well as country levels. There is also a need to develop an international infrastructure that should help in assuring Shari'a compliance of the Islamic financial products. Leaving this

entirely to the market forces has certainly not worked in the Middle East. Best examples of government involvement in this process come from Malaysia and Pakistan, and there is a need to study these models.

Following these recommendations will give more choices and flexibility to asset managers for better asset allocations by developing more innovative products in the fixed-income industry, with different tenors, returns, and risk profiles involving investment sukuk. This will bring more investors to structured sukuk funds, in particular, which have been battling to gain market share in the mutual and fixed-income funds sector. They have encountered difficulties in attracting investors due to the lack of breadth and depth caused by the shortage in diversity and volume in the sukuk issuance as well as the low variety of sectors in relation to the underlying assets in sukuk issuance, and a lack of variety in the currencies mix. Fortunately, sukuk funds can now be re-energized on the basis of the sukuk issuances record for 2011, 2012, 2013 and its high prospects for 2014 and beyond.

On the issuance side, governments through central banks will have a stable instrument to manage the money supply as well as the fiscal and monetary budget. In the bigger picture, governments of Islamic countries should also foster the growth of Shari'a-compliant products by utilizing IBF instruments (i.e., investment sukuk) to finance major infrastructure developments, power grids, bridges, transportation projects, housing, and mining projects. At the same time, the government issuances will enable citizens at the individual level (retail segment) to become sukuk unit holders (wealth distribution) with clear recourse to the underlying assets, thus investing in financing infrastructural projects while getting reasonable returns on their participation alongside having the comfort from knowing that they are investing in genuine sukuk. In addition, those citizens will feel pride in knowing that they are owners of a mega project in their country for their benefit. Allowing individual participation in sukuk will eventually create products for preserving wealth and encouraging savings for citizens, while gradually developing a vibrant secondary market and slowly moving away from concentration of wealth.

The unprecedented growth of sukuk has raised many red flags and requires all of the parties involved to step back and take the time to evaluate, analyze, and examine its merits and virtues, its impact on the industry as a whole—in particular, its integrity, reputation, creditability, and its authenticity. It is the responsibility of practitioners, lawyers, and regulators, with a particular focus on scholars; this responsibility and accountability should go beyond the race to introduce another debt sukuk while blinded by the fees to be earned from those issuances to the market, as that debt sukuk undoubtedly will backfire on the industry.

In short, continuous issuance of debt sukuk is an Islamic financial crisis in waiting. GIFR 2014 puts it on record to predict that if the current debt-based sukuk issuance continues, IBF will face a huge financial crisis, something similar to what conventional financial markets witnessed in 2008-2011.

The rush of many sovereign and conventional financial institutions, investment and commercial banks, as well as international regulators, to sukuk issuance is mainly driven by the drying fountain and high cost of conventional debt. They are also lured by the surplus liquidity in the Arabian Gulf and some parts of Asia. This was demonstrated most recently by the announcement that South Africa, Japan, Hong Kong, Ireland, Kazakhstan, Bermuda, France, China, India, Australia, in addition to several African countries, are joining the sukuk bandwagon. This coincides with the fact that a large sum of the Gulf region's liquidity is starved and in most cases constrained to Shari'a-compliant instruments and securities. Such a new paradigm of debt demand and supply – jointly with the wrong intentions and purposes (camouflaged greed or needs) – can be a recipe for disaster. Thus, although the sprouting interest motives and aims in sukuk should be welcomed, it must also be challenged and scrutinized, especially by the Shari'a scholars as well the standard setting bodies (e.g., AAOIFI, IFSB), until the establishment of a universal regulatory body to supervise and scrutinize sukuk to guarantee the conformity and adherence to Shari'a guidelines at all times. This scrutiny and supervision will prevent any threats to the authenticity and integrity of IBF in general and sukuk in particular, while serving the essence of Islamic economic system in term of fairness, distribution of wealth, and equality as opposed to concentration of wealth. At the same time, the balanced growth of the industry will progress without any major setbacks while carrying out best practice in terms of transparency and governance.

Case Study: Ooredoo Sukuk: Middle East's First Airtime Sukuk Issuance Programme

As mentioned in Chapter 1, 2013 proved to be another excellent year for the sukuk market with a number of successful sukuk. One such success was Ooredoo Sukuk. In December 2013, Ooredoo Q.S.C. ("Ooredoo"), the Qatar-based international telecommunications company, successfully issued its inaugural US\$1.25 billion Shari'a-compliant sukuk. The five-year instrument was issued under its US\$2 billion trust certificate issuance programme, established in November 2013. This was the first sukuk issued in the Middle East that utilised the innovative 'airtime' sukuk structure and the transaction represents a significant development in the rapidly evolving market for Shari'a-compliant products in the Middle East. Despite this being a successful issuance in 2013, the question arises whether it was really an innovative structure or just another debt-based instrument to raise money in a Shari'a compliant way.

Background

As highlighted above the fundamental structural difference between conventional bonds and Shari'a-compliant sukuk is that a bond is simply a promise to repay a loan, whereas sukuk represent ownership shares in an underlying profit-generating asset (physical or financial). One of the key challenges for issuers intending to access the sukuk market is the identification of assets sufficient to form the foundation of the proposed sukuk structure.

Issuers commonly utilise tangible assets, such as land or property leases, as the underlying asset for sukuk issuances. However, most Islamic financial institutions and other corporations intending to issue sukuk generally hold a limited amount of such assets on their balance sheet or are unable or unwilling to encumber such assets for use in a sukuk structure. Accordingly, concerns had been raised in the past that the lack of such eligible tangible assets could impede the volume of sukuk issuances and therefore the overall development of the sukuk market.

However, one of the most significant developments in the sukuk market during the course of the last few years has been the emergence of innovative sukuk structures that expand the range of assets that can be used as underlying sources of profit, including certain intangible assets. Amongst these novel structures is the airtime sukuk.

Development of the Airtime Sukuk Structure

The airtime structure was first utilised in 2007 by the Saudi Arabian telecommunications company, Mobily, for the purposes of a syndicated financing. At that time, the airtime structure represented a novel IBF instrument specifically designed for telecommunications operators, which often have limited physical assets, but significant value in their telecommunications license. In 2010, the airtime structure was adopted by Mobily's principal shareholder, Emirates Telecommunications Corporation (Etisalat) for its sukuk programme, although no issuance has yet taken place under that programme. Ooredoo's US\$1.25 billion sukuk issuance in December 2013 therefore represented the first time that a sukuk utilising the airtime structure had been issued in the Middle East.

The structural development of Ooredoo's airtime sukuk required close collaboration between Ooredoo, its Shari'a advisors, the arranger banks and their respective legal counsels, in order to meet the challenge of accommodating the requirements of Shari'a without compromising on the robustness of the structure from an English law perspective. The development of the sukuk structure also required cooperation and interaction with the telecommunications regulator in Qatar, ictQATAR, given that the proposed underlying assets for the sukuk were airtime minutes. Significant time and effort was devoted to refining the sukuk structure whilst also ensuring that it remained as simple as possible, in order to chart a smoother course through the required Shari'a, shareholder and regulatory approvals and to maximise its appeal to local, regional and international investors.

Structuring the Airtime Sukuk

The airtime structure enables a telecommunications operator, such as Ooredoo, to utilise minutes of airtime as the underlying asset for the purposes of a sukuk issuance. Most telecommunications operators are tangible asset poor, but with significant value residing in intangible assets, such as the mobile license and its right to sell airtime. A key advantage of the airtime structure is that it allows the licensee to release the value of its most abundant asset, the airtime on its network. (Figure 1).

On the issue date of the sukuk, the investors pay the issue price to the trustee, a special purpose vehicle (SPV), established for the purposes of the sukuk, and which issues the sukuk to the investors. The trustee declares a trust in favour of the investors over the proceeds of the issuance of the sukuk and certain other rights. The trustee then applies the proceeds of the issuance of the sukuk for the purchase of airtime vouchers from Ooredoo. Each airtime voucher represents an entitlement to a specified number of minutes of airtime on Ooredoo's mobile telecommunications network.

Ooredoo is appointed to act as the distributor on behalf of the trustee to sell the minutes of airtime to its customers. The airtime vouchers cannot be redeemed for airtime minutes unless sold by a duly licensed provider of mobile telecommunications services in Qatar. A specified number of airtime vouchers are designated for distribution and sale by Ooredoo (in its capacity as distributor) on behalf of the trustee in respect of each periodic distribution period, for a minimum sale price, which will be sufficient to allow the trustee to pay the periodic distribution amount due under the sukuk on each periodic distribution date.

If less than the specified number of airtime vouchers are sold during a periodic distribution period, Ooredoo will, pursuant to the exercise by the trustee of a purchase undertaking given by Ooredoo, purchase the surplus airtime vouchers from the trustee at the price such airtime vouchers should have been sold under the relevant distribution agreement (which incorporates both a cost element and a profit element) or, if airtime vouchers are sold for less than the minimum agreed price, the distributor will indemnify the trustee for the shortfall amount, in any event, so that the proceeds of the sale of airtime vouchers during each periodic distribution period will always be sufficient to pay the relevant periodic distribu-

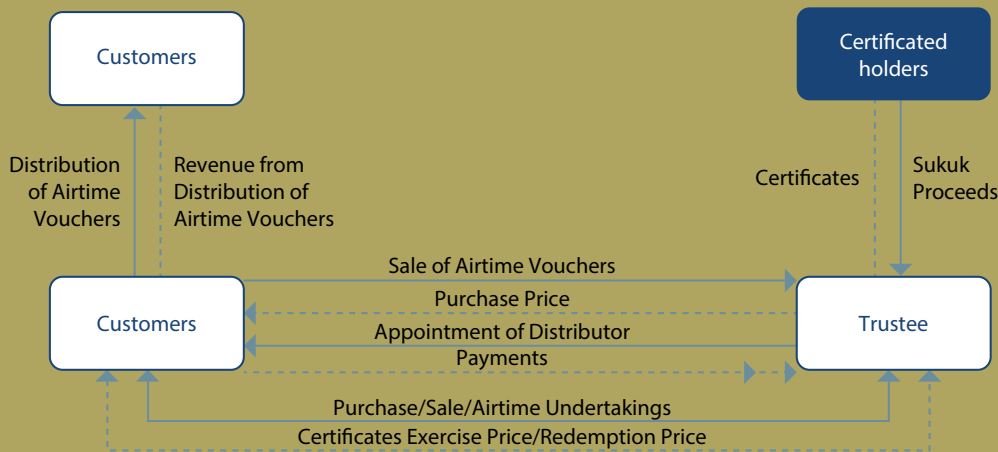


Figure 1 : Ooredoo Sukuk Structure

tion amounts due under the sukuk.

The structure has some interesting features two of which are:

- Pursuant to an airtime voucher sale undertaking, Ooredoo has undertaken, upon exercise thereof, to sell additional airtime vouchers to the trustee (at the cost price) on each periodic distribution date.
- Pursuant to a purchase undertaking, Ooredoo has irrevocably granted to the trustee the right to require Ooredoo to purchase and accept the transfer of all of the trustee's interest in the airtime vouchers, on maturity of the relevant series, or prior thereto following the occurrence of a dissolution event.

Use of Intangible Assets in Islamic Financing

The successful completion of Ooredoo's airtime sukuk signifies the increasing acceptance in the market of intangible assets as the basis for Shari'a-compliant sukuk issuances. Airtime vouchers are one of a number of intangible asset classes used as underlying assets for Islamic financing transactions, which have been introduced into the market over the last few years. Other such asset classes include intellectual property rights, tariffs due on electricity meters, and receivables due on petrochemical marketing contracts.

During the course of 2013, UAE-based carrier Emirates utilised passenger revenues as the underlying asset for its US\$1 billion ten-year amortising sukuk, while the Saudi Arabian General Authority of Civil Aviation issued a SAR15 billion (US\$4 billion) sukuk that was partly based on a sale of its rights to charge and collect fees from airlines. The use of these structures indicates growing innovation in structuring sukuk and the increasing flexibility of Shari'a advisors in recognising the legitimate use of those assets, which were non-existent and thus inconceivable during the first 1,430 years following the advent of Islam.

The progress in the use of intangible assets has also been assisted by the recovery of global credit markets and the increasing acceptance of sukuk by investors as a mainstream debt instrument. Issuers have also arguably become 'braver' in the type of assets they are using as underlying assets as the credit markets heat up (the credit crisis between 2008-2012 having forced investors to become more cautious)

and issuers have more scope to tap into broader markets.

Increased use of intangible assets in sukuk structures should serve to widen both the base of issuers, and the frequency with which they can access the sukuk market. As described earlier, issuers have traditionally utilised real estate assets to underlie sukuk issuances. However, this has limited the potential issuer base because not every company holds a sufficient amount of such assets to correspond to the level of funding required. Whilst Ooredoo could potentially have issued a sukuk without using the airtime structure, it may not have had sufficient tangible assets to underpin more than a couple of sukuk. Using airtime for the purposes of structuring will allow Ooredoo to continue to issue on a regular basis in the future.

The use of airtime as a sukuk asset is set to flourish in debt financing deals, given the projected increase in mobile phone ownership in the world in the coming years, with an estimated seven billion mobile phone owners globally by 2015, the bulk of whom will be based in Asia. As Meezan Bank looks to arrange Pakistan's first airtime-based sukuk, its Shari'a supervisory board has already given its approval for the issuance of an Islamic financial instrument that will use mobile phone airtime as an underlying asset.

"While increased acceptance by investors of the use of intangible assets, such as airtime, in sukuk structures is an important step in the development of Islamic financing and indicates the growing sophistication and development of the sukuk market in the Middle East, the real issue is not whether an intangible asset can be used as an underlying asset in a sukuk structure. The real issue is whether these structures remain Shari'a authentic, given that they in effect give rise to nothing but an arrangement akin to bai' al-'ina."

The issuance of Ooredoo's inaugural sukuk also demonstrates the ability of the company's advisors to structure a sukuk based on the assets that an issuer has available to it, which should provide encouragement to other issuers whose principal asset base might not traditionally have been considered appropriate for use in Islamic structuring. Sukuk issuances, particularly by corporate issuers, are therefore likely to further proliferate over the next two or three years, as innovative structures continue to expand the range of assets that can be used as underlying sources of profit.