



London
Stock Exchange

Islamic finance on London Stock Exchange

Islamic Finance in London

- London is established as the leading western centre for Islamic finance and has been at forefront of key developments in Europe
- To date FCA has authorised five wholly-Islamic banks, one Shariah-compliant hedge fund manager and one dedicated Takaful provider in the UK
- There are over 20 banks providing Islamic financial services, more than in any other European country:
 - ✓ depth and liquidity of London's capital markets
 - ✓ extensive pool of expertise offered by one of largest concentrations of legal, regulatory and tax specialists
 - ✓ commitment of UK Government with series of regulatory changes to offer 'level playing field' between conventional and Shariah-compliant instruments



Regulatory Developments in Islamic Finance

London offers most open, flexible and attractive tax & regulatory structure for facilitating Islamic finance

- **2009:** New legislation introduced in Finance Bill - amended SDLT and Capital Gains Tax (CGT) rules to allow sukuk issuers to retain capital allowance in relation to transactions linked to UK land
- **2007-2008:** In October 2009, FCA and HM Treasury summary of responses to joint consultation paper on Alternative Finance Investment Bonds (AFIBs) proposed changes aimed at regulating Sukuk in equivalent way to conventional bonds. The aim was to remove additional regulatory burden associated with Sukuk which had seemed to fall within definition of Collective Investment Scheme (CIS) and was expected to facilitate Sukuk issuance by removing barriers structuring of property-backed Sukuk in the UK
- **2005-2006:** Further changes made to introduce new types of borrowing concepts – Murabaha and diminishing Musharaka
- **2003:** Introduction of Stamp Duty Land Tax (SDLT) legislation to remove double SDLT in Islamic instruments structured with property transactions



Islamic Finance Products on LSE

FTSE Shariah Global Indexes

The FTSE Shariah Global Equity Index Series has been designed to be used as the basis for Shariah-compliant investment products that meet the requirements of Islamic investors globally.

The FTSE Shariah Global Equity Index Series covers both developed and emerging markets, to create a comprehensive Shariah indexing solution.

By partnering with Yasaar Ltd, an impartial consultancy and leading authority on Shariah, FTSE remains neutral and fully up to date with latest practices.

Russell Islamic Global Indexes

The Russell-IdealRatings Islamic Index offers investors an accurate and complete global-equity market index that reflects established Shariah investment guidelines.

Based on the broad and deep Russell Global Index universe of over 10,000 securities, with the Shariah screening oversight of partner IdealRatings.

To ensure full compliance with Shariah principles, the index is approved and monitored by an independent board of some of the most highly distinguished and respected Islamic scholars in the field.

ETFs on Islamic Indices

London Stock Exchange also has a vibrant market in Exchange Traded Funds (ETFs) including four Shariah-compliant ETFs based on Islamic indices.

ETFs are open-ended index tracking funds listed and traded on exchanges like shares.

They allow investors to gain exposure to a diverse range of assets and offer efficient access to developed and emerging markets, broad and sector indices.

Alternative Investment Market

Four Islamic financial institutions have been quoted on AIM which offers growing companies all the benefits of being traded on world-class public market within regulatory environment that has been designed to meet their needs:

- Islamic Bank of Britain: authorised by FCA in August 2004, first Islamic retail bank in a non-Muslim majority country
- European Islamic Investment Bank: authorised by FCA in March 2006, first Shariah-compliant wholesale bank in any western country
- The Family Shariah Fund
- Shariah Capital

Sukuk Listings on London Stock Exchange

London Stock Exchange is a key global venue for the issuance of Sukuk bonds. Over \$46bn has been raised through 64 Sukuk issues on London Stock Exchange.

Mar 2015: London Stock Exchange launches dedicated Sukuk segments on its Fixed Income markets

July 2014: First western country to issue an Islamic bond

Aug 2010: First Sukuk issued by European bank

Nov 2009: First Sukuk by a major US corporate issuer - \$500 million raised

Mar 2008: First sovereign Sukuk

Jun 2007: First Sukuk listed on PSM

Mar 2007: First London-listed Sukuk



HM Government



KLUVEYTÜRK



GE Capital



مصرف البحرين المركزي
Central Bank of Bahrain



مركز التمويل الإسلامي الدولي
INTERNATIONAL ISLAMIC FINANCE CENTRE



بنك دبي الإسلامي
Dubai Islamic Bank

Case Study



HM Government



London
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The UK becomes the first country outside the Islamic world to issue a Sukuk

Country Summary

Country	United Kingdom
Rating	AAA / AA+ / Aa1
GDP	USD 2.6 trillion
Market	Main Market

Country profile

- “Today’s issuance of Britain’s first sovereign Sukuk delivers on the government’s commitment to become the western hub of Islamic finance and is part of our long term economic plan to make Britain the undisputed centre of the global financial system.”
- “We have seen very strong demand for the Sukuk, resulting in a price that delivers good value for money for the taxpayer. I hope that the success of this government issuance will encourage further private sector issuances of Sukuk in the UK.”

Transaction Details

Issue Date	02 July 2014
Issue Size	GBP 200mm
Coupon	2.036
Maturity	5yr

Debt issuance story

- Joint Leads: Barwa Bank, CIMB Bank, HSBC Bank, National Bank of Abu Dhabi, Standard Chartered, HSBC
- The Sukuk uses the Al-Ijara structure, the most common structure for sovereign Sukuk, with rental payments on property providing the income for investors. The Sukuk is underpinned by three central government properties.
- The sale, which came days before the start of Ramadan, was 10x oversubscribed with orders totalling more than £2.3 billion by investors in the UK, Middle East and Asia. Allocations have been made to a wide range of investors including sovereign wealth funds, central banks and domestic and international financial institutions.



UK Export Finance – guaranteed bonds

- The Export Refinancing Facility is available to banks funding non-sterling buyer credit loans, typically with values above £50m (\$75m) that are intended to be refinanced in the debt capital markets. Such DCM re-financings are priced competitively as a result of UK Export Finance's guarantee of payments of scheduled principal and interest due under the bonds.
- Where DCM refinancing is unavailable, UK Export Finance provides certainty to the borrower and to the banks that it will fund the loan until markets reopen.
- UKEF has significant capacity (£1.5bn / \$2.3bn) to support UK exports/ investments to India and would be happy to consider rupee financing. In addition UKEF has experience of using the UK Government's AAA guarantee to support capital market funded bonds and has supported over £1.3bn (\$2bn) of such bonds to date



UK Export Finance – guaranteed bonds

How the export refinancing facility works

A large overseas project needs long term finance...



How the financing works

Interest rate



This example is an indication for illustrative purposes only and should not be relied on for any financial, investment or other decision

Case Study



London
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Company Details	
Company	Emirates
Market	Main Market
Sector	Airline
Rating	n/a

Transaction Details	
Issue Date	31 Mar 2015
Money raised	\$913 million
Yield at issue	2.471% (G+57bp)
Maturity	10 years

Company profile

- A fast-growing international airline with one of the youngest fleets in the sky and more than 400 awards for excellence worldwide
- Operating divisions include Emirates airline, Emirates SkyCargo, and Emirates Skywards
- Emirates operates across six continents with a 52,000 strong multi-national team comprised of over 160 nationalities.

Debt issuance story

- Lead Managers: Citigroup, HSBC, JP Morgan, National Bank of Abu Dhabi
- Guaranteed by UK Export Finance
- Proceeds of which will be used to fund the acquisition of four Airbus A380-800 aircrafts
- 3.6 times oversubscribed (attracted orders for \$3.2bn) and allocation was evenly split between ME & Asia, Europe and US
- Transaction expected to be taken as a model for future corporate sukuk issuance in London

INFORMATION MEMORANDUM DATED 26 MARCH 2015

KHADRAWY LIMITED

(an exempted company incorporated with limited liability under the laws of the Cayman Islands)

U.S.\$913,026,000 2.471 per cent. Certificates due 2025
with the benefit of a guarantee by



UK Export
Finance

HER BRITANNIC MAJESTY'S SECRETARY OF STATE ACTING BY
THE EXPORT CREDITS GUARANTEE DEPARTMENT (CURRENTLY OPERATING AS "UK
EXPORT FINANCE") ("ECGD" or the "GUARANTOR")

The U.S.\$913,026,000 2.471 per cent. trust certificates due 2025 (the "Certificates") issued by Khadrawy Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the "Trustee") will be constituted by a declaration of trust (the "Issuer Declaration of Trust") dated 31 March 2015 (the "Closing Date") entered into between the Trustee, Emirates and Citibank N.A., London Branch (as the delegate of the Trustee (the "Delegate" which expression shall include any co-delegate or any successor)). The Certificates confer on the holders of the Certificates from time to time (the "Certificateholders") the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust (the "Issuer Trust") declared by the Trustee pursuant to the Issuer Declaration of Trust and, subject to the Security Interests granted by the Trustee under the Trustee Security Documents over the Issuer Trust Assets, which include, *inter alia*, (i) all of the Trustee's interests, rights, benefits and entitlements, present and future, in and to the Rights to Travel; (ii) all of the Trustee's interests, rights, benefits and entitlements, present and future, in, to and under the Issuer Trust Transaction Documents (as defined herein); and (iii) all monies standing to the credit of the Transaction Account (each such capitalised term as more particularly described in the Conditions). The "Transaction Account" (as more particularly defined in the Conditions) is an account established by the Trustee and held with the Principal Paying Agent, all amounts standing to the credit of which are held on trust by the Trustee for the benefit of the Certificateholders.

The Certificates may only be offered, sold or transferred in registered form in minimum principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Joint Lead Managers and Joint Structuring Agents

Citigroup HSBC J.P. Morgan National Bank of Abu Dhabi P.J.S.C.

Joint Lead Managers

Abu Dhabi Islamic Bank Dubai Islamic Bank Emirates NBD Capital Standard Chartered Bank

Co-Lead Manager

NCB Capital Company

The date of this Information Memorandum is 26 March 2015.

Case Study



London
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ICD makes its debut in the global capital markets by listing its MTN in London and issuing a \$300 million Sukuk

Country Summary

Company	Islamic Corporation for the Development of the Private Sector
Market	Main Market
Sector	Supranationals
Rating	Aa3/AA

Transaction Details

Issue Date	13 April 2016
Issue Size	USD 300 million
Coupon	2.468%
Maturity	5 years

Country profile

- ICD is a multilateral organization and a member of the Islamic Development Bank (IDB) Group.
- "We are delighted to have listed our MTN Program and Sukuk on the London Stock Exchange. Given LSE and London's status as the largest international centre for debt issuance and trading, this listing gives ICD access to a large and diverse pool of fixed income investors globally and supports the primary market execution and secondary market liquidity of its Sukuk. Aside from marking a key milestone in our funding activity in the international capital market, the Sukuk also supplements our role to promote Islamic finance in member countries."*

Debt issuance story

- Joint Leads: Bouyan Bank K.S.C, CIMB Bank Ltd, Emirates NBD PJSC, Gulf International Bank BSC, JP Morgan Securities Plc, Natixis, Standard Chartered Bank
- ICD to use the proceeds of the Sukuk to support investments in private sector projects in line with its mission to promote economic growth in its member countries through private sector development.
- The MTN program, which is a Wakala structure, serves as ICD's main funding platform for regular issuance of Sukuk.



Active Sukuk in London

Issuer Name	ISIN	Issue Date	Maturity	Coupon (%)	Amount Issued	Currency
DP World	XS1419869968	31/05/2016	31/05/2023	3.908	1,200,000,000	USD
Hilal Services Ltd	XS1382636493	13/04/2016	13/04/2021	2.468	300,000,000	USD
IDB Trust Services Ltd	XS1365520151	10/03/2016	10/03/2021	1.775	1,500,000,000	USD
IDB Trust Services Ltd	XS1373222691	29/02/2016	01/03/2023	0.255	326,241,000	EUR
Khadrawy Ltd	XS1203164782	31/03/2015	31/03/2025	2.471	913,026,000	USD
Khadrawy Ltd	US49374GAA76	31/03/2015	31/03/2025	2.471	913,026,000	USD
IDB Trust Services Ltd	XS1200466677	12/03/2015	12/03/2020	1.831	1,000,000,000	USD
IDB Trust Services Ltd	XS1113426289	25/09/2014	25/09/2019	2.111	1,500,000,000	USD
IDB Trust Services Ltd	XS1088804494	17/07/2014	17/07/2019	1.8118	1,000,000,000	USD
HM Treasury UK Sovereign Sukuk Plc	XS1079249816	02/07/2014	22/07/2019	2.036	343,220,000	GBP
IDB Trust Services Ltd	XS1040691344	06/03/2014	06/03/2019	1.8125	1,500,000,000	USD
IDB Trust Services Ltd	XS0939694138	04/06/2013	04/06/2018	1.535	1,000,000,000	USD
ADIB Capital Invest 1 Ltd	XS0851081660	19/11/2012	Perpetual	6.375	1,000,000,000	USD
SoQ Sukuk AQSC	XS0801656330	18/07/2012	18/01/2023	3.241	2,000,000,000	USD
SoQ Sukuk AQSC	XS0801656256	18/07/2012	18/01/2018	2.099	2,000,000,000	USD
EIB Sukuk Co Ltd	XS0803231827	11/07/2012	11/01/2018	4.147	500,000,000	USD
IDB Trust Services Ltd	XS0796312055	26/06/2012	26/06/2017	1.357	800,000,000	USD
BSF Sukuk Ltd	XS0784910431	22/05/2012	22/05/2017	2.947	750,000,000	USD



Active Sukuk in London

Issuer Name	ISIN	Issue Date	Maturity	Coupon (%)	Amount Issued	Currency
Saudi Electricity Global Sukuk Co	XS0767862914	03/04/2012	03/04/2022	4.211	1,250,000,000	USD
Saudi Electricity Global Sukuk Co	XS0764883806	03/04/2012	03/04/2017	2.665	500,000,000	USD
MAF Sukuk Ltd	XS0742399198	07/02/2012	07/02/2017	5.85	400,000,000	USD
FGB Sukuk Co Ltd	XS0731930797	18/01/2012	18/01/2017	4.046	500,000,000	USD
EIB Sukuk Co Ltd	XS0731642491	18/01/2012	18/01/2017	4.718	500,000,000	USD
ADIB Sukuk Co Ltd	XS0711035286	30/11/2011	30/11/2016	3.78	500,000,000	USD
CBB International Sukuk Co SPC	XS0708899272	22/11/2011	22/11/2018	6.273	750,000,000	USD
ADCB Islamic Finance Cayman Ltd	XS0708308845	22/11/2011	22/11/2016	4.071	500,000,000	USD
KT Sukuk Varlk Kiralama A.S.	XS0698260758	31/10/2011	31/10/2016	5.875	350,000,000	USD
FGB Sukuk Co Ltd	XS0654587996	02/08/2011	02/08/2016	3.797	650,000,000	USD
Almana Sukuk 2011 Ltd	XS0650740102	28/07/2011	28/07/2016	5.1344	215,000,000	USD
HBME SUKUK Co Ltd	XS0631957403	02/06/2011	02/06/2016	3.575	500,000,000	USD
SIB Sukuk Co II Ltd	XS0625554836	25/05/2011	25/05/2016	4.715	400,000,000	USD
IDB Trust Services Ltd	XS0628646480	25/05/2011	25/05/2016	2.35	750,000,000	USD
Emaar Sukuk Ltd	XS0586840588	03/02/2011	03/08/2016	8.5	500,000,000	USD
DP World Sukuk Ltd	US23330NAA00	02/07/2007	02/07/2017	6.25	1,500,000,000	USD
DP World Sukuk Ltd	XS0307408152	02/07/2007	02/07/2017	6.25	1,500,000,000	USD
IIG Funding Ltd	XS0303097157	07/06/2007	10/07/2012	6.75	200,000,000	USD

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Contact us

Fixed Income

London Stock Exchange

Mail: bonds@lseg.com

Tel: +44 (0)20 7797 3921