

Qatar Faculty of Islamic Studies and Center for Islamic Economics and Finance holds successful symposium about Islamic Sukuk

Doha, Qatar, 12 November, The Center for Islamic Economics and Finance (CIEF), part of the Qatar Faculty of Islamic Studies (QFIS) of Hamad bin Khalifa University, recently organised a successful symposium on “Sukuk from Economic, Legal, Practical and Shariah Perspectives”. Over 180 people attended the symposium, which was opened by Dr Hatem El-Karanshawy, the founding Dean of QFIS. Dr El-Karanshawy introduced the speakers and talked about the importance of the symposium and the different themes. Mrs Bahnaz Alquradaghi, Senior Researcher at CIEF, acted as moderator for the symposium, which discussed a number of topics.

Dr Ali Alquradaghi, Sharia expert in Islamic banking, explained the importance of sukuk and the difference between sukuk, stocks, and bonds. He also discussed their Islamic legal basis, different types, and contemporary applications. Dr Alquradaghi also spoke about the financial and economic demand for sukuk, guarantees in investment sukuk, and reasons for the success of sukuk.

Dr Tariquillah, Professor of Islamic Finance at QFIS, discussed structure risk in the design of sukuk. He stated that the resilience of every structure requires that the risks involved must be properly identified and managed. In structuring sukuk, the key stakeholders can actually add to the structural vulnerabilities of sukuk products. Dr Tariquillah defined and identified sukuk structure risks and critically discussed the role of the stakeholders in alleviating such risk. He explained that one of the most important preconditions in designing sukuk is consensus and coordination between the key players, namely, the Finance Ministers, as represented by the Islamic Development Bank, the Governor of Central Banks as represented by the Islamic Financial Services Board, Islamic bankers, sukuk issuers and investors. He believes that differing sharia opinions among sharia scholars on Sukuk is the most important structural risk factor that may cause hindrance to the growth of the Islamic financial market.

Mr Bernard Barbour, Head of Legal and Sharia Affairs at QInvest, discussed the main contractual aspects of issuing Sukuk in Qatar. First, he explained that there are two legal systems in Qatar, namely: civil law and common law (at the Qatar Financial Centre). Then he addressed the most important topics related to sukuk such as contract law and currency issues. He observed the lack of legislation in Qatari law regarding these matters. Next, Mr Barbour addressed the issue of late payment and explained that the courts in Qatar may not allow the imposition of additional profits or benefits in case of delay in payment, even if the parties had agreed to it. He stated that penalties and liquidated damages are subject to civil law and

clarified that the set-off of obligations does not affect the rights of third parties. Mr Barbour went on to explain the force majeure conditions in Qatari law. He addressed the impact of foreign law in cases of insolvency and liquidation, administration, and other common principles related to the enforcement of creditors' rights.

Mr Hussain Abdulla, Senior Associate Investment Banking and Capital Markets at QInvest, spoke about the reasons why we need sukuk, including the increased liquidity of Islamic and conventional banks in the GCC whose balance sheets have grown tremendously in past years. He estimated demand for sukuk from the EU to be around 20-25 per cent of global demand. The growth of Islamic funds and insurance sectors resulted in an increase in the number of investors and the lowering of the pricing of sukuk compared to bonds. Mr Abdulla also addressed the key considerations in the process of issuing sukuk such as identifying the assets, currency and tenor of the sukuk, in addition to the Special Purpose Vehicle (SPV). He mentioned the practical steps used for identifying assets and issuing sukuk such as planning, preparation of documentation, launching, marketing, pricing, closing and issuance. Mr Abdullah focused on the experience of the State of Qatar in issuing sukuk and explained the properties of the different tranches with tenors of five and ten years. Finally, he highlighted the characteristics of the Qatar Islamic Bank Sukuk.

The speeches were followed by an interesting discussion on the role of Sukuk in the economy and a question and answer session. Questions posed were about the legality of sukuk, the importance of laws detailed in the sukuk issuance, and the impact of the classification of sukuk in practical aspects.

The discussion was rounded off by Dr Hatem El-Karanshawy, who thanked the speakers and the attendees, and presented souvenirs to the speakers. At the end of the symposium, he said, "The subject of the symposium is a timely one because sukuk have a significant role in the financial markets. We, in the last days, have seen the British Prime Minister talking about Islamic sukuk, and we know that London is one of the most important and established global financial centres. At the same time, it is looking for an alternative to the conventional sources of financing. Not only does it want to be a competitor, but it aspires to be the world's leading hub for Islamic sukuk. This in itself highlights the importance of our symposium on Islamic Sukuk."

Dr El-Karanshawy added that, "It is no doubt that this financial instrument could represent an alternative to the funding needs of Muslim countries, for example, by providing access to financing in the areas of basic industries, infrastructure, and so on. They have been used in the past by countries such as Germany, Malaysia and the United Arab Emirates, and they are increasingly being discussed in European countries."

Dr Hatem El-Karanshawy, the founding Dean of the Faculty of Islamic Studies said, "More focus on this tool may help develop new sukuk structures that are more consistent and meet the needs of governments. They can provide a means of savings and at the same time a means of alternative financing."

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About Qatar Faculty of Islamic Studies (QFIS)

The Qatar Faculty of Islamic Studies was established to achieve intellectual plurality that emphasizes the richness and diversity of the Islamic heritage under the umbrella of Hamad Bin Khalifa University. The vision at QFIS is to become a locus of thought and dialogue that leads research and debate in all that relates to Islam and Muslims, be that contemporary concerns or issues of heritage; and that produces scholars who are strongly-grounded in Islamic faith, practice, and civilization, and who are open for engaging with all that their civilization produced, and with the wisdom and thought of other civilizations. www.qfis.edu.qa

For more information about the sukuk symposium, please contact the Center for Islamic Economics and Finance at cief@qfis.edu.qa