

SUKUK

a main financial tool funding terror



Introduction

- ❖ Sukuk is an Islamic financial certificate, similar to a bond in Western finance, that complies with Sharia, Islamic religious law. Because the traditional Western interest paying bond structure is not permissible, the issuer of a sukuk sells an investor group the certificate, which then rents it back to the issuer for a predetermined rental fee. The issuer also makes a contractual promise to buy back the bonds at a future date at par value.
- ❖ Sukuks must be able to link the returns and cash flows of the financing to the assets purchased, or the returns generated from an asset purchased. This is because trading in debt is prohibited under Sharia. As such, financing must only be raised for identifiable assets.

Types of Sukuks

Sukuk can be of many types depending upon the type of Islamic modes of financing and trades used in its structuring. The Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) issued standards for 14 different Sukuk types. The main types are:

Mudharaba Sukuk

- are used for enhancing public participation in big investment projects.

Musharaka Sukuk

- is used for mobilizing the funds for establishing a new project or developing an existing one or financing business activity on the basis of partnership contracts.

Murabaha Sukuk

The process of direct structuring of securities in the context of sukuk-al murabaha involves the creation of a special purpose vehicle (SPV) or a special purpose mudharaba (with a distinct identity) by the company in consultation with its investment bank for this purpose.

Ijara Sukuk

Sukuk-al-ijara are Sukuks that represent ownership of equal shares in a rented real estate or the usufruct of the real estate. These sukuk give their owners the right to own the real estate, receive the rent and dispose of their sukuk in a manner that does not affect the right of the lessee, i.e. they are tradeable.

Sukuk- Effective financial tool in terror funding

- ❖ South Korean lawmakers may revive legislation scuttled earlier this year amid opposition from church leaders that would pave the way for the first Islamic bond sales in the country. A group of legislators will review the proposal as early as November regulating taxes on sukuk, or bonds that comply with Shariah law, said Choi Sung Soo, assistant director of the office of the committee's Chairman Kang Ghil Boo. Lee Man Sub, head pastor at the Korean Association of Church Communication, was among Christian leaders seeking to stop the plan on concern Islamic charities would funnel contributions to terrorist activities from zakat, a tax paid by Muslims with wealth to be distributed to the poor and needy.
- ❖ Sukuk sales in the nation could reach \$1 billion a year as companies including GS Engineering & Construction Corp. try to raise financing that complies with Islam's ban on interest to build power plants and skyscrapers in the Middle East, according to Korea Investment & Securities Co. The United Nations has a list of hundreds of organizations and individuals it suspects of supporting terrorism in a bid to control funding.

“Several church pastors have approached me, worried that Korean money would go to terrorists,” Yoo Il Ho, a committee member who belongs to the governing Grand National Party, said in an interview in Seoul. “But I told them that these bonds have nothing to do with that.”

[Read the full story](#)

❖ Qatari Sukuks

Since 2011 Qatar issued 11 percent of global Sukuk

Qatar authorities and government related companies are looking into funding for its infrastructure projects by issuing Sukuk.

- ❖ Sukuk are increasingly becoming the favorite product of Shariah-Compliant Finance. In fact, we’re starting to see more and more Western nations and financial institutions involved in Sukuk simply because wealthy Muslim individuals and institutions, armed with massive amounts of petrodollars, are insisting on Shariah-compliance for financing activities.

Yusuf al-Qaradawi

No one illustrates the concerns associated with Shariah-Compliant Finance quite like Qaradawi. Qaradawi has provided the doctrinal basis for Islamic charities and zakat funding violent Jihad for everyone in the world to see:

“The meaning of Jihad in our present time particularly refers to striving to liberate Muslim lands from the grip of the disbelievers who usurped them and imposed on them their own laws in lieu of the Divine Law. Those disbelievers may be Jews, Christians or both or even pagans, who follow no particular religion at all. Disbelievers are all alike.

Capitalists, Communists, Westerners, Easterners, People of the Book and pagans are by no means different from one other. They should all be fiercely fought if they attempt to occupy any part of the Muslim land. This duty falls on those closest to the occupied land, who should be aided by those closest to them, who, in turn, ought to be aided by those closest to them, till it becomes incumbent on all Muslims to take part in Jihad.

Muslims have never been more severely afflicted than they are nowadays. Many of their lands have been captured by the disbelievers, on top of which is Palestine that has fallen victim to corrupt Jews. Similarly, Kashmir has been dominated by pagan Hindus. Chechnya and other Islamic states have fallen in the grip of pagan tyrannical communism.

Retrieving these lands, freeing them from the clutches of atheists and their twisted laws is the joint responsibility of all Muslims. Declaring Jihad to save our land is an Islamic obligation.

If war is waged anywhere to achieve this goal, namely to free the occupied lands of the laws and the tyranny of disbelievers, it is undoubtedly a case of Jihad for the sake of Allah. It thus needs to be financed from the money of Zakah, the amount of which is to be decided based on the total sum of the charity, the requirements of Jihad as well as the degree of the need of other potential recipients of charity. This is all to be decided by reliable scholars, if they are to be found.”

[Read the full story](#)

[Al-Qaradawi](#) is the Sukuk spiritual leader. In this context, [back in October 2008, Qaradawi called for Islamic finance to replace capitalism. In 2006, he told the BBC that he liked to refer to Shariah-Compliant Finance as “jihad with money,” because “allah teaches us to fight our enemies” with weapons and our money.](#)

Also until 2010, Qaradawi was directly involved in Sukuk issuing for the [Qatari Islamic Bank](#). This is an example from a prospectus dated 5 October 2010 in the London Stock Exchange (LSE):



QIB Sukuk Funding Limited

(incorporated as an exempted company in the Cayman Islands with limited liability)

U.S.\$750,000,000 Certificates due 2015

Issue Price: 100 per cent.

Shari'a Supervisory Board

The Board of Directors of QIB appoints the SSB which must consist of at least three members who are experts in Islamic jurisprudence. The SSB may include an expert in the field of Islamic Financial Institutions who also has knowledge of Islamic jurisprudence. Members should not hold positions of responsibility in QIB other than as part of the SSB; they should be independent. This policy is part of the Bank's Corporate Governance Policy. The SSB currently consists of:

- His Eminence Dr. Yousof Al Qaradawi (Chairman);
- His Eminence Sheikh Abdul Qadar Al Ammari (Member);
- His Eminence Dr. Ali Al Mohammadi (Member); and
- His Eminence Sheikh Walid Ben Hadi (Head of Shari'a Executive Committee).

Sukuk issuing current status 2017

- ❖ Qatar Islamic Bank and Qatar's government financial related bodies are involved in issuing Sukuk bonds aimed to be sold to foreign investors.
- ❖ During the last 18 months alone the volume of Sukuk issuing reached 7.75 billion U.S Dollars.
- ❖ Since 2012, the volume of Qatar's Sukuk issuing for foreign markets has dramatically increased with some 25 billion worth Sukuk bonds issued since 2012.
- ❖ Bodies such as Qatar Investment Authority (QIA) also support the local financial system to market its products (various Sukuks) with in the global markets and potential international investors.
- ❖ Qatar's financial system bodies responsible for Sukuk Issuing, as mentioned above, are compliant with laws of the Sharia and follow instructions from the Sharia Advisory which adhere to Qaradawi's policy and thoughts.
- ❖ Another important issue is the involvement and usage of U.S dollars which are the official currency used in some cases by Qatar's Sukuk issuing system. Moreover, quite a few banks from the Western world take part in this Sukuk issuing scheme: Citigroup, NBD , HSBC , Standard Chartered 'Goldman sachs and others.

Examples of Sukuk issuing in US Dollars and partnership with foreign banks:

Issuer:	Qatar Islamic Bank 2022
Issue Date:	23 May 2017
Tenor:	5 years
Coupon Rate:	3.251%
Sukuk Type:	Wakala
Arrangers & Advisors:	Citigroup , Emirates NBD , HSBC , Noor Bank , Qinvest , Standard Chartered ,
Country of Issue:	Qatar
Issue Size:	\$750 million
Currency:	USD

Issuer:	Ezdan Holding 2022
Issue Date:	06 Apr 2017
Tenor:	5 years
Coupon Rate:	4.875%
Sukuk Type:	Wakala
Arrangers & Advisors:	Abu Dhabi Islamic Bank , Barwa Bank , Emirates NBD , HSBC , Mashreqbank ,
Country of Issue:	Qatar
Issue Size:	\$500 million
Currency:	USD

Issuer:	Barwa Bank 2019
Issue Date:	18 Oct 2016
Tenor:	3 years
Coupon Rate:	
Sukuk Type:	
Arrangers & Advisors:	Standard Chartered ,
Country of Issue:	Qatar
Issue Size:	\$100 million
Currency:	USD

Issuer:	Ezdan Holding 2021
Issue Date:	18 May 2016
Tenor:	5 Years
Coupon Rate:	4.375%
Sukuk Type:	Wakala
Arrangers & Advisors:	Abu Dhabi Islamic Bank , Barwa Bank , Emirates NBD , HSBC , Mashreqbank , Qinvest ,
Country of Issue:	Qatar
Issue Size:	\$500 million
Currency:	USD

Issuer:	Qatar Islamic Bank 2020
Issue Date:	21 Oct 2015
Tenor:	5 Years
Coupon Rate:	2.754%
Sukuk Type:	Mudharabah
Arrangers & Advisors:	Barwa Bank , Citigroup , HSBC , Noor Bank , Qinvest , Standard Chartered ,
Country of Issue:	Qatar
Issue Size:	\$750 million
Currency:	USD

Source: https://www.sukuk.com/sukuk-profile/?page1=2&p=true&country_issue=Qatar&find=Find

Next there are two recent articles, which show precisely for what Sukuk's money is used, in some countries.

- ❖ *The first article, describes the dismantling of a terrorist cell of Ansar al-Sharia in Meknine, Tunisia. The banking records found here indicate that in their position were 160,000 dinars derived from sukuk.*

[Read the full story](#)

- ❖ *The second article is about Tunisia. This time an Imam connected to Ansar al-Sharia get arrested in Monastir. He had over 100,000 dinars in sukuk and bills.*

[Read the full story](#)



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