

Oman debuts US dollar Sukuk: A player worthy of note

The international Sukuk market recently welcomed a maiden benchmark-sized US dollar Sukuk from a budding sovereign of the GCC where the facility was competitively priced amid a rating downgrade and macroeconomics challenges. NURUL ABD HALIM speaks to Mansoor Jamal Malik, the senior and managing partner at Al Busaidy, Mansoor Jamal & Co (AMJ), to uncover the issuance of Oman's US\$500 million privately-placed Sukuk Ijarah.

The US dollar paper adopted several features and workings akin to the Sultanate's debut Omani rial issuance: both papers employed the Ijarah structure, using the same underlying assets; were marketed to private investors; and most notably, were priced at a 3.5% profit rate.

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Elaborating on the pricing, Mansoor said that it was an achievement despite the rating downgrade on Oman and the economic downturn that is happening across the globe. Moody's recently cut Oman's long-term issuer rating to 'Baa1' from 'A3' in view of the protracted period of low oil prices having a negative impact on the Sultanate's credit profile. The 'Baa1' rating was also assigned on the US dollar Sukuk certificates. "Given the downgrade in the sovereign rating, it was feared that this would impact the

pricing negatively and the issuer might have to pay a higher profit rate," said Mansoor, who also added that while the rating downgrade is a prevalent event that is happening across the globe, it nevertheless still leaves the country within the investment grade.

The Sukuk, however, garnered strong interest from sophisticated investors in the private market, enabling the issuer to raise the requisite funds to finance the country's development and budgetary requirements. "While there were certain parties that had been skeptical about investors' appetite given the downgrade in Oman's rating and the government's recent US\$2.5 billion bond issuance, investors responded positively and showed confidence in the government's risk profile and the [Sukuk] issuance."

Seeking to firmly establish its presence on the map of attractive investment destinations, the successful issuance of its US dollar Sukuk facility, which was the Sultanate's purely international offering and not within the purview of the Capital Market Authority of Oman, has given Oman an edge to stand alongside stalwarts in the international Islamic capital markets.

The US dollar Sukuk transaction was Oman's sophomore issuance to date. Previously, the government tapped the local currency Sukuk market with a maiden OMR250 million (US\$647.57 million) Sukuk Ijarah in November 2015, which was also advised by AMJ. "We understand that other ministries in the government of Oman are also currently considering Sukuk issuances to meet their budgetary requirements [but] no formal announcement in respect of the same has been made yet," revealed Mansoor in cognizant of the matter. (F)

Underlying assets	Commercial plot of land located in Duqm and owned by the government of the Sultanate of Oman
Rating	'Baa1' (Moody's) 'BBB-' (S&P)
Shariah advisor	Standard Chartered Bank
Structure	Ijarah
Face value/ minimum investment	US\$200,000 or integral multiples of US\$1,000 in excess thereof

Oman's US\$500 million Sukuk Ijarah



14th July 2016

Issuer	Oman Sovereign Sukuk
Obligor	The government of Oman
Size of issue	US\$500 million
Mode of issue	Private placement under Regulation S of the US Securities Act
Purpose	To meet its development costs/budgetary requirements and to increase its presence in international debt markets
Tenor	Six years
Issuance price	100%
Profit rate	3.5%
Payment	Principal to be repaid via three equal repayments at the end of the 48 th , 60 th and 72 nd month from the issue date
Currency	US dollars
Maturity date	14 th July 2022
Lead manager and bookrunner	Standard Chartered Bank
Principal advisor(s)	Standard Chartered Bank (as lead manager and placement agent) Deutsche Bank, London Branch (as certificate holders' agent and principal paying agent) Deutsche Bank Luxembourg (as registrar and transfer agent)
Governing law	Omani and English law
Legal advisor(s)/ counsel	Allen & Overy (as international counsel to the lead manager and placement agent) Clifford Chance (as international counsel to the issuer and obligor) Al Busaidy, Mansoor Jamal & Co (as sole local/Oman law advisors on the transaction)
Listing	Not listed