

THE SUDAN EXPERIENCE

IN ISSUING AND MANAGING ISLAMIC FINANCIAL INSTRUMENT (SUKUK)

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Historical Evolution of Sudan Money Market

- Up to 1977 conventional banking and interest bearing financial instruments.
- 1977-1983 conventional and Islamic banking and interest bearing financial instruments.
- 1983-1998 full fledged Islamic banking and finance.

- 1998-2005 Islamic banking non –interest bearing financial instrument (G.M.Cs , G I Cs ,and CMC) .
- 2005 UP TO the present , dual banking system according to the CPA , that is Islamic banking and finance in the north of Sudan and conventional banking and finance in south of Sudan.

The development of Islamic sukuk.

Financial instrument	Central bank IJARA certificates (Shihab	Government musharaka certificates (G M C)	Government investment certificates (G I Cs)
maturity	unlimited	Short term one year	Long term (2-6) years
Tendering	Were sold in competitive price auction within the banks	Were sold in competitive price auction	Were sold in competitive price auction
Asset structure and mechanism	Asset based securities issued against the Central bank Assets	Assets based securities issued against certain percentage of government ownership in more profitable and joint venture enterprise	Asset based securities issued against a number of contracts Ijara, Salam , Musharaka , Istisna, etc)

Return on investment	Central bank paid 10%	Mof pays (15-18%) per year	Mof pays (15-17%) per year
Contractual relationship	Relation between cbs and commercial banks based on IJARA contract	Relation between of and investors based on musharaka contract	Relation between of and spv based on musharak, ijara, istisna, sala, etc a contract

Sukuk regularity frame work

Infrastructure bodies

- special purpose vehicle (SPV).
- monitoring sharia aspect of Islamic banks and other finance institutions (HSSB) .
- reviewing sharia aspect of sukuk (SSB).
- SECONDARY MARKET FOR SUKUK(KSE).

- reviewing technical aspect of sukuk product (SRC).
- accounting and auditing standards (AAOIFI).
- Government regulatory standards (IFSB)

The Mutual Islamic Fund

- Supervisory Board
- The legal structures for investment funds: the instruments of the law in 1995
- Procedural steps: the legal and administrative procedures
- Areas of work of the funds: invest in government securities, stocks, industry funding, water, real estate.

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- The types of funds: funds mixed fund reconstruction fund, stocks, fund industry, water fund :
- Maturity: 2-6 years
- Profit: 15-18% (80% head of finance, 20% of the bats?)
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- Assets: 51% of the assets of the Fund's leasing
- The sale and purchase of instruments: market Khartoum Stock Exchange

General issue limiting money market

- Lack of regularity support (e.g. SEC).
- secondary market illiquid due to the absence of market makers and underwriters in sukuk.
- Limited availability of bench mark to the pricing of sukuk (e.g. yield curve).

Recommendation

- To achieves the major objective of sukuk instrument.
- Key support by regularity bodes.
- Sukuk bench marks.
- Greater coordinating and cooperation among the major industry player.