

Malaysia's inaugural US dollar sustainability Sukuk issue



MALAYSIA

By Ruslena Ramli

On the 28th April 2021, Malaysia issued its first sustainability Islamic trust certificates, comprising an US\$800 million 10-year tranche (Sustainability Sukuk) and a US\$500 million 30-year tranche. This maiden Sukuk via an SPV – Malaysia Wakala Sukuk – is in line with the government of Malaysia's recently launched Sustainability Development Goal (SDG) Sukuk Framework.

As at the 31st March 2020, collective assets under management represented by the United Nations Principles for Responsible Investment (UN PRI) had increased 20% to US\$103.4 trillion

(source: UN PRI Annual Report 2020). With this amount of funds seeking SDG investments, it is no surprise that the supply of sustainability-linked financing surged to US\$732 billion in 2020 (source: 'Malaysia Sells World's First Sovereign Dollar Sustainability Sukuk', Bloomberg, the 21st April 2021). In the Islamic finance niche, Malaysia's Sustainability Sukuk facility is envisaged to pave the way for a healthy build-up of environmental and social projects-related financing.

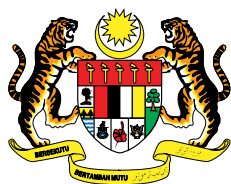
Despite the distractions and challenges wreaked by the COVID-19 pandemic, the launch of the SDG Sukuk Framework and the country's maiden Sustainability Sukuk that followed soon after provide a glimpse of what to expect from Malaysia's next five-year development plan, ie the 12th Malaysia Plan (2021–25).

The World Bank anticipates Malaysia's economy to return to positive growth in 2021, along with other global economies. This is premised on the sustained progress in vaccine rollouts that will boost private consumption and investment.

The objective of the SDG Sukuk Framework and the ensuing launch of the Sustainability Sukuk highlight Malaysia's solid commitment to channeling crucial capital toward sustainable development – a key pillar in the nation's Shared Prosperity Vision 2030. ☺

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Figure 1: Summary of Malaysia's Sustainability Sukuk



Malaysia Wakala Sukuk

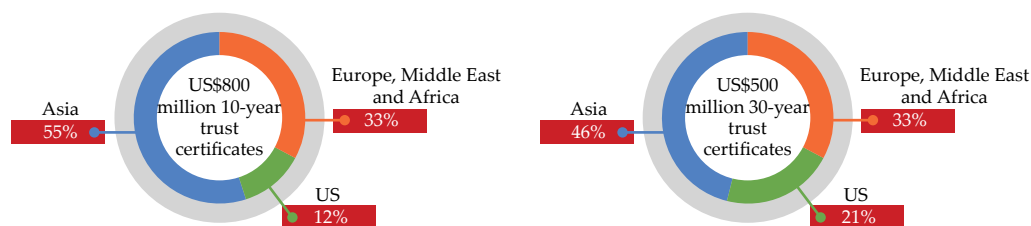
This is the first US dollar Sukuk linked to sustainable activities under the Islamic principle of Wakalah, thus reinforcing Malaysia's position at the forefront of Islamic finance.

The Sustainability Sukuk facility highlights the government of Malaysia's initiative to institutionalize SDGs within Malaysia's strategic development roadmap, covering economic empowerment, environmental sustainability and social reengineering. The MoF will prepare a report (where possible) on the environmental and social impact associated with the net proceeds of the Sustainability Sukuk.

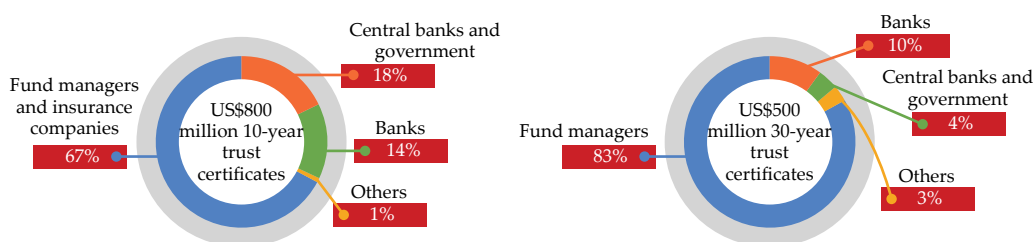
Transaction overview

Sukuk issuer	: Malaysia Wakala Sukuk
Sukuk obligor	: Government of Malaysia
Currency/Format	: US Dollar 144A/Reg S
Obligor/Sukuk ratings	: 'A3' (Moody's Investors Service) / 'A-' (S&P Global Ratings) (stable)
Sukuk Wakalah assets	: Travel vouchers representing travel entitlements to Malaysia's Light Rail Transit, Mass Rapid Transit and KL Monorail networks
Proceeds	: Eligible social and green projects aligned with the United Nations's agenda of sustainable development goals
Tenor	: 10 years
Maturity	: 28 th April 2031
Amount	: US\$800 million
Structure	: Wakalah/Sustainability
Periodic distributions	: 2.07% p.a.
Listing	: The Stock Exchange of Hong Kong, Bursa Malaysia Securities, Labuan International Financial Exchange

Breakdown of investors by geographical location



Breakdown by investor type



Sources: Ministry of Finance, Malaysia (MoF), Malaysia Wakala Sukuk's Offering Memorandum and SDG Sukuk Framework