

بورصة البحرين
BAHRAIN BOURSE



SUKUK

A Fixed Income Opportunity

WHAT ARE SUKUK

Sukuk, a shariah compliant fixed income instrument, represents an undivided share in the ownership of tangible assets relating to particular projects or special investment activities, although this does not represent a debt owed to the issuer of the Sukuk.

Sukuk is an alternative asset class widely accessible by all types of retail investors via Bahrain Bourse to gain regular cash flow income.

Issuing Sukuk instruments enables issuers, primarily sovereigns and corporations, to access a wide pool of investors through Bahrain Bourse, many of whom are seeking to diversify their holdings beyond traditional asset classes.

Sukuk provides visibility on your investment at any time since they are tradable on Bahrain Bourse and are ideal for Murabaha transactions, or for any investor who requires an additional layer of stability or a steady income stream in their portfolio to secure their future.

بسم الله الرحمن الرحيم

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فتوى مراوحة السوك

Murabaha through Sukuk Instruments Fatwa

اطلع المستشار الشرعي لبورصة البحرين على الآلية المقترحة لتنفيذ مراوحة السوك مع البنوك والمصارف الإسلامية وفق الخطوات التالية:

The Shari'ah advisor to the Bahrain Bourse has been briefed on the proposed methodology for the implementation of Murabaha through Sukuk instruments with Islamic Financial Institutions according to the following steps:

1. يقوم البنك بشراء سوك متوافقة مع الضوابط الشرعية من بورصة البحرين .
2. بعد شراء البنك وتملكه للسوك يبيع السوك لعميله بالمراوحة .
3. تقوم البورصة بتحويل ملكية السوك لصالح العميل.
4. يوكل العميل وسيطاً مسجلاً لدى البورصة لبيع هذه السوك نيابة عنه في سوق البورصة .
5. يقوم الوسيط ببيع السوك في السوق ويتم تحويل ثمنها في حساب العميل لدى البنك.

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الرأي الشرعي:

وبناء على الوصف المذكور أعلاه فقد أقر المستشار الشرعي بأنه يجوز تنفيذ مراوحة السوك بناء على مراعاة الشروط التالية: إن يتم تنفيذ مراوحة السوك من خلال النظام الذي توفره بورصة البحرين، حيث يتم تحديد السوك المتوافقة مع الشريعة وأسعارها وكمياتها، كما يشترط على البنك أن يبيع السوك بعد تملكه لها، و يجب على العميل أن يوكل وسيطاً كل طرف ثالث لبيع هذه السوك نيابة عنه في سوق البورصة. و يجوز للعميل الاحتفاظ بملكية السوك أو بيعها في سوق البورصة في أي وقت يراه مناسباً. كما يحق للبورصة أن تفرض رسوماً مقابل تحويل ملكية السوك لصالح العميل.

Based on the description given above, the Shari'ah Advisor is of the opinion that purchase and sale of Sukuk Instruments through Murabaha is permissible subject to meeting certain conditions, which includes conducting the Murabaha transaction through Bahrain Bourse whereby the prices and quantities are pre-defined, and the Islamic Financial Institution is required to sell the Sukuk Instrument after initial ownership. The client has the right to appoint an independent authorized broker registered with Bahrain Bourse to execute sale of the Sukuk instrument on behalf of the client. The client also has the right to maintain ownership of the Sukuk Instrument and/or sell the Sukuk Instrument in the open market at any time the client deems to be appropriate. Further, Bahrain Bourse is entitled to impose fees and charges in relation to transfer of ownership to the client.

And Allah knows best.

والله ولي التوفيق

Bahrain Bourse Shari'ah Advisor
Dr. Sh. Osama Bahar
Dated 13 August 2015

متفق مع الشريعة
SHARIA'A COMPLIANT

بورصة البحرين
BAHRAIN BOURSE

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Tradable Shariah-compliant Fixed Income Securities

SUKUK FEATURES

Sukuk instruments are structured to be a Shariah-compliant alternative to conventional bonds, the key difference being the terms used and liability of each party. However, when compared to equity securities, Sukuk as well as bonds both rank higher in terms of principal repayment and are considered to have lower risk profiles than equity securities.

When Tradition Meets Innovation

Characteristics	Sukuk	Bonds	Equity Securities
Participants	Sukuk Holder	Bond Holders	Shareholders
Type of Return	Fixed Coupon Payments	Fixed Coupon Payments	Dividend payments based on performance of the company
Maturity Date	Fixed Maturity Date	Fixed Maturity Date	Open-ended
Principal Repayment	First priority	First priority	Least priority
Risk	Generally less volatile depending on the Issuer	Generally less volatile depending on the Issuer	High risk, subject to market volatility
Voting Rights	Not Entitled	Not Entitled	Entitled

SUKUK AL-MURABAHA

Features of Sukuk al-Murabaha transactions at Bahrain Bourse

Sukuk al-Murabaha is Shariah Compliant.
Sukuk al-Murabaha is specifically known and identified.
Sukuk al-Murabaha is in existence at the time of sale.

Sukuk al-Murabaha is owned by the seller at the time of sale.
Sukuk al-Murabaha is of value and classified as property.
Sukuk al-Murabaha sale is instant and not attributed to a future date.

Sukuk al-Murabaha terms of delivery are specified and certain.
Sukuk al-Murabaha sale is unconditional and is not contingent on a future event or fulfillment of a condition that is external to the transaction.
Sukuk al-Murabaha is a valid sale at spot price.

Sukuk al-Murabaha has a very tight spread between the bid and ask.
Sukuk al-Murabaha has a very competitive BHB transaction fee of 0.02% or 0.0002 per transaction value.
Sukuk al-Murabaha has a very competitive client resale transaction fee of 0.08% or 0.0008 per transaction value.

**An Attractive Shariah
Compliant Investment**

Tradable Shariah-compliant Fixed Income Securities

WHY SUBSCRIBE TO SUKUK THROUGH BAHRAIN BOURSE

A Preeminent Sukuk Marketplace

The Government of the Kingdom of Bahrain is one of the pioneers in Sukuk issuance since 2001

Liquid Instrument, Tradable in Secondary Market

The only trading platform in the GCC where Sukuk are traded in the secondary market

Direct Legal Ownership

Investing in Sukuk instruments through Bahrain Bourse provides investors with Direct Legal Ownership rights

Murabaha through Sukuk

Shariah-compliant financial institutions can now conduct their Murabaha retail transactions on behalf of their clients through Sukuk as certified by Bahrain Bourse's Shariah advisor



Solid Regulatory Infrastructure

High regulatory and investor protection standards

Retail Investor Access

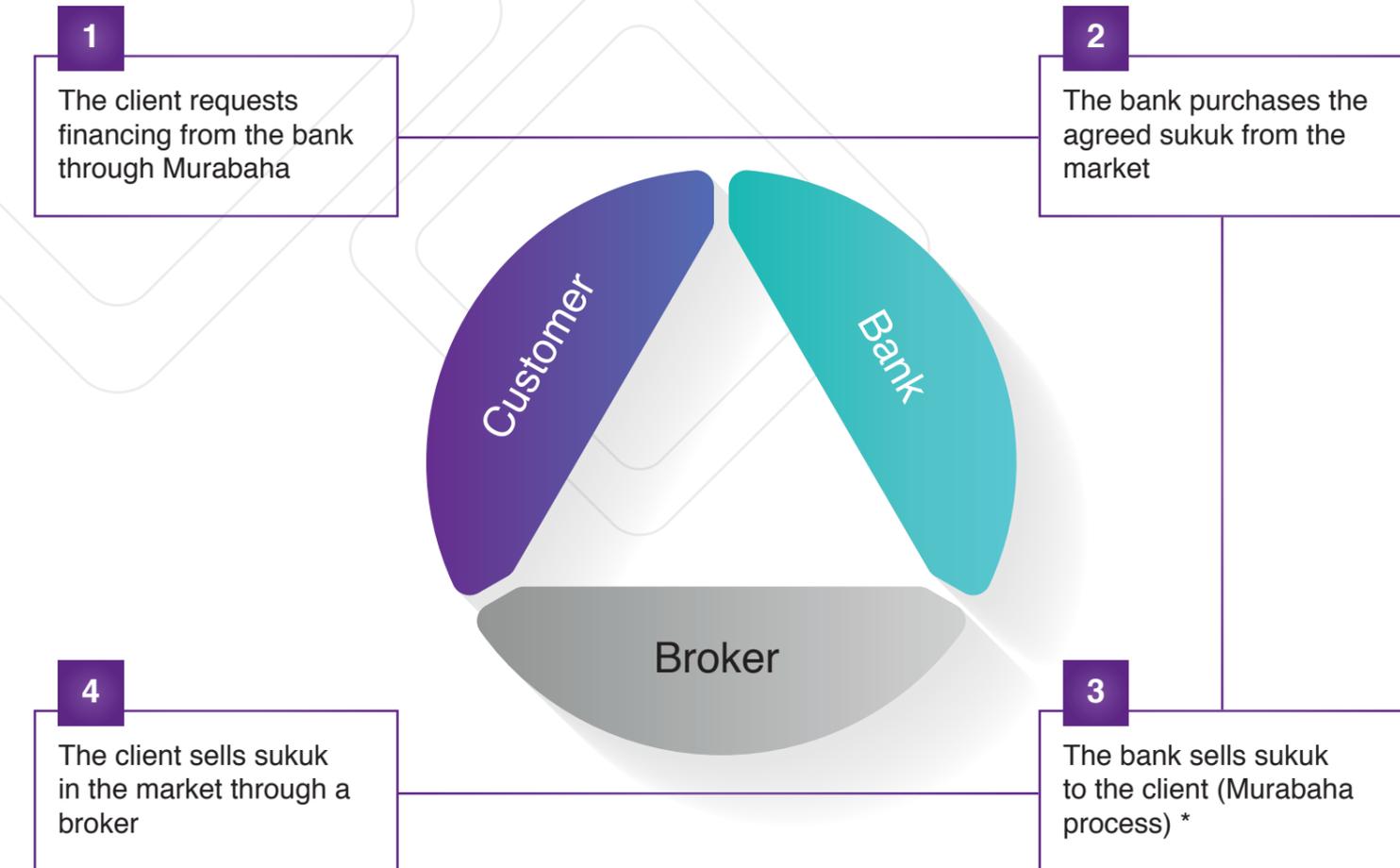
Retail investors access to an alternative asset class commonly exclusive to financial institutions and high net worth individuals with ticket sizes as low as BD 500

A Collateralized Asset

Sukuk instruments subscribed through Bahrain Bourse enables investors to pledge their Sukuk as a collateralized asset with creditors in the Kingdom of Bahrain to obtain credit facilities

Murabaha THROUGH SUKUK

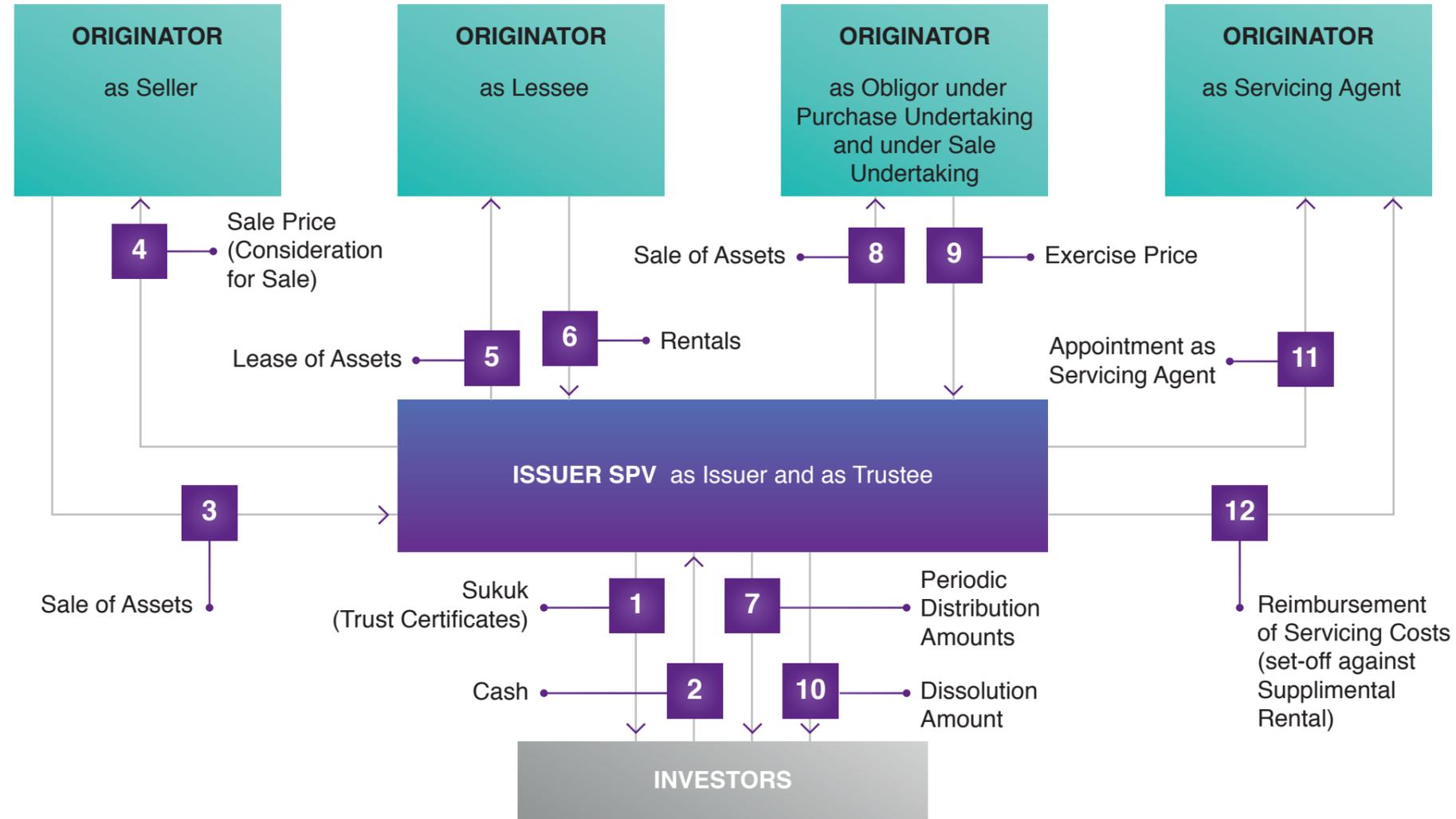
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**Sukuk: Translating
Uncertainty into Security**
”
”



Murabaha *: The process of transferring the ownership of the sukuk from the bank account to the customer's account and it has been introduced to reduce the cost.

SUKUK STRUCTURE

“ Sukuk Al-Murabaha: A New Product for an Existing Market ”

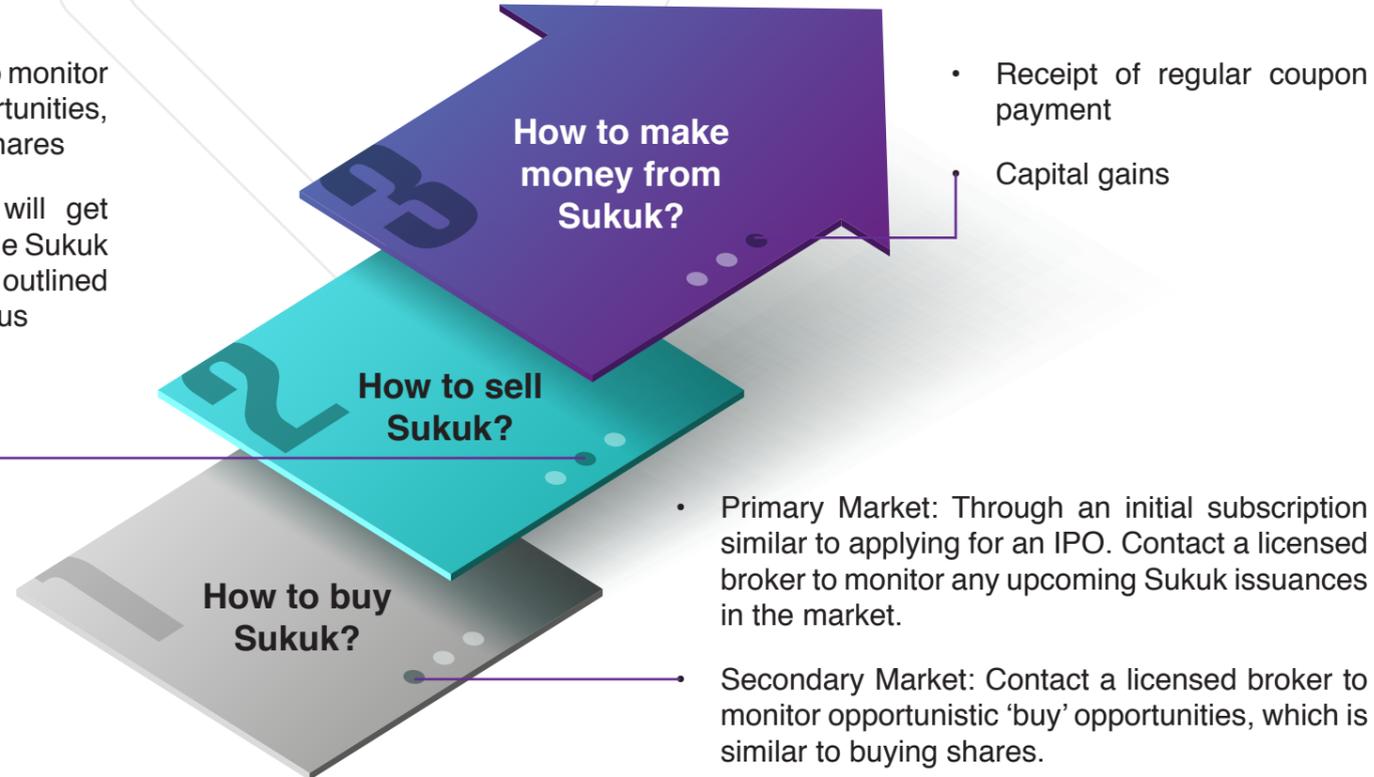


1. Issuer SPV issues sukuk.
2. The Investors subscribe for sukuk and pay the proceeds to Issuer SPV who declares a trust over the proceeds and thereby acts as Trustee on behalf of the Investors.
3. Originator enters into a sale and purchase arrangement with Trustee, pursuant to which Originator agrees to sell, and Trustee agrees to purchase, certain assets from Originator.
4. Trustee pays the purchase price to Originator as consideration for its purchase of the assets in an amount equal to the principal amount.
5. Trustee leases the assets back to Originator under a lease arrangement.
6. Originator (as Lessee) makes rental payments at regular intervals to Trustee (as Lessor). The amount of each rental is equal to the periodic distribution amount payable under the sukuk at that time.
7. Issuer SPV pays each periodic distribution amount to the investors using the rental it has received from Originator.
8. Trustee will sell, and Originator will buy-back, the Assets at the applicable exercise price, which will be equal to the principal amount plus any accrued but unpaid periodic distribution amounts owing to the Investors.
9. Payment of exercise price by Originator (as Obligor).
10. Issuer SPV pays the dissolution amount to the Investors using the exercise price it has received from Originator.
11. Trustee and Originator will enter into a service agency agreement whereby Trustee will appoint Originator as its Servicing Agent to carry out some of its obligations under the lease arrangement. The Originator, as Servicing Agent, claims any costs and expenses for performing these obligations, known as the Servicing Costs. The rental for the subsequent lease period under the lease arrangement will be increased by an equivalent amount known as the Supplemental Rental, which is due from Originator as a Lessee, and will be set off against the obligation of Trustee to pay the Servicing Costs.

GET STARTED

Investors interested in investing in Sukuk instruments should contact a licensed broker who will open a trading account. A full list of licensed brokers is available on www.bahrainbourse.com

- Contact a licensed broker to monitor opportunistic 'sell' opportunities, which is similar to selling shares
- Upon maturity, investors will get back the nominal value of the Sukuk and the coupon payable as outlined in the Information Prospectus



CONTACT US

“ We'd like to hear from you. Please contact us on the below noted information to discuss your requirements ”

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An Oasis of Investment Opportunities

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