



## Momentum in motion: Advancing Islamic finance the IILM way



*Mohamad Safri Shahul Hamid is the CEO of the IILM. He can be contacted at [info@iilm.com](mailto:info@iilm.com).*

As 2024 draws to a close, the global financial landscape continues to experience significant volatility and ongoing uncertainty. Yet, the Islamic finance industry has stood out as a beacon of resilience and innovation. Amid shifting US Federal Reserve policies and persistent economic challenges, Islamic finance has demonstrated remarkable growth, with Sukuk issuance leading the way.

At the heart of this progress is the International Islamic Liquidity Management Corporation (IILM), a key player advancing the industry's liquidity infrastructure. Through strategic innovation and expanded capacity, the IILM is not only addressing immediate market needs but also gradually and steadily helping to shape the future of Islamic finance.

### Review of 2024

The year 2024 has been transformative for Islamic finance, driven by improved market conditions and strong investor confidence. Sukuk issuance surged to unprecedented levels, with S&P projecting issuances to reach US\$160-170 billion and Fitch Ratings estimating the global Sukuk market at US\$900 billion by the end of Q3. This marks an 8.5% growth from 2023, with forecasts to exceed US\$1 trillion by 2026. Meanwhile, the broader Islamic finance market surpassed US\$4.5 trillion, highlighting its increasing prominence as a reliable and robust financial ecosystem. The IILM has been instrumental in driving this growth. This year, the IILM achieved a significant milestone by upsizing its issuance program size by 50% from US\$4 to US\$6 billion. This expansion has facilitated the inclusion of new Sukuk assets worth approximately US\$1 billion, achieving an all-time high of US\$4.5 billion in total outstanding asset portfolio for the IILM.

The new Sukuk assets have enabled the IILM to gradually expand the size of its sought-after short-term Sukuk from US\$1 billion a

month in average currently, in line with its core mandate of meeting and fulfilling the growing needs of the global Islamic financial institutions in search of stable and reliable sources of high-quality liquidity management instruments (HQLAs). The IILM short-term Sukuk program remains a benchmark for reliability and innovation, with oversubscription rates exceeding 220% year-to-date.

This year also saw the IILM expanding its global reach of investor base. The inclusion of Affin Islamic Bank in May 2024 as the IILM's 11<sup>th</sup> primary dealer, alongside the impending onboarding of its 12<sup>th</sup> primary dealer, the first from Oman in the fourth quarter of 2024, have further enhanced and diversified the IILM's distribution capabilities across the globe. These milestones have supported cross-border investment flows and contributed to financial stability, reaffirming the IILM's unique role, mandate and commitment to fostering a more integrated and liquid global Islamic financial market. A hallmark of the IILM's success lies in its innovative asset funding structure, which complies with global Shariah standards while maintaining a high tangibility ratio, well above the minimum 51% tangibility ratio.

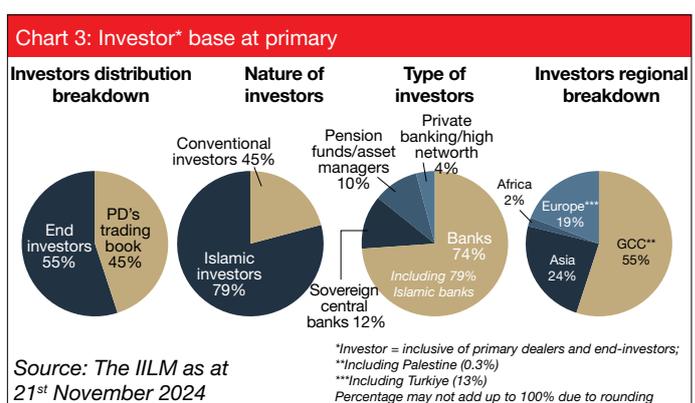
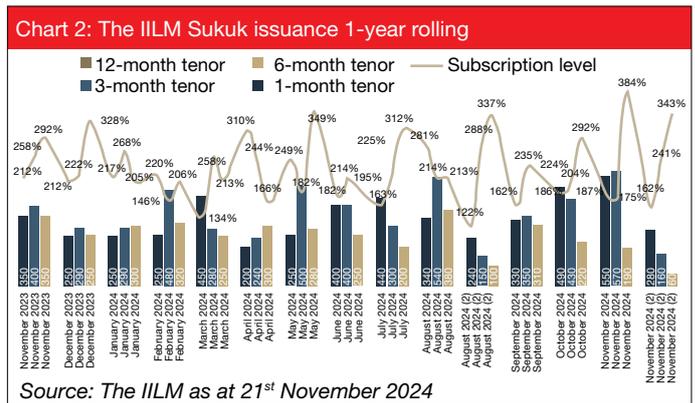
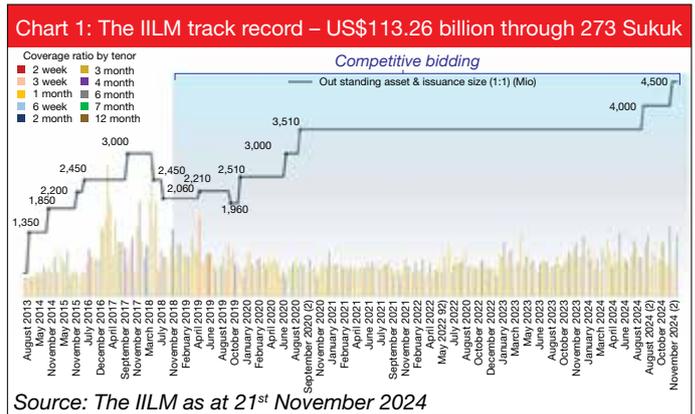
Rated 'A' by S&P and Fitch respectively, the IILM assets currently comprise Sukuk issued by highly rated sovereigns, supranational entities, and government-related bodies. As a result, the IILM short-term Sukuk rated 'A-1' by S&P and 'F1' by Fitch respectively continue to attract strong and sustained level of interest from growing number of investors; this year alone, the IILM short-term Sukuk garnered participation from 25 new investors, including 13 Islamic accounts, further broadening the IILM's investor base. Complementing these achievements, the IILM actively engaged in capacity-building initiatives throughout 2024 for Turkish, Qatari and Indonesian markets. By collaborating with regulators, Shariah scholars and market participants, the IILM has fostered a deeper understanding of Islamic liquidity management principles, empowering stakeholders to navigate the evolving financial landscape effectively.

## Preview of 2025

As 2025 approaches, the global economy faces a complex mix of challenges and opportunities. Persistent geopolitical tensions, inflationary pressures, and shifting trade dynamics –exacerbated by Trump's renewed presidency – threaten to disrupt financial markets and strain liquidity. However, the growing demand for Shariah compliant instruments offer a unique opportunity for Islamic finance to expand its global influence.

Sukuk issuance is expected to reach US\$200 billion in 2025, according to S&P, reflecting strong investor demand for secure Shariah compliant instruments. The IILM is poised to capitalize on this momentum by ramping up Sukuk asset origination activities through bespoke and attractive offerings to address the diverse needs of global sovereign and sovereign-linked Sukuk issuers, offering tailored solutions in a rapidly changing environment. Additionally, the IILM will be rolling out an alternative to Sukuk assets in 2025 to allow further growth of supply and meet the strong market demand. On the demand size for its short-term Sukuk, the IILM will be looking at expanding the investor base and the network of primary dealers which will bode well for the Islamic financial institutions in search of safe haven HQLAs.

Expanding regional collaborations and entering new markets are also central to the IILM's strategy for 2025. By strengthening partnerships and tapping into untapped opportunities, the IILM seeks to further integrate Islamic liquidity solutions into the global financial system. Simultaneously, the IILM remains committed to developing the Islamic money market infrastructure and enhancing the Shariah compliant liquidity tools available in the market, working closely with scholars, regulators and industry stakeholders to resolve inconsistencies that may hinder growth. This proactive approach ensures that Shariah compliance not only upholds the authenticity of Islamic finance but also supports innovation and



inclusivity. By fostering collaboration and aligning with global trends, the IILM is setting the stage for a dynamic and sustainable future for the industry.

## Conclusion

The IILM's achievements in 2024 reflect the momentum propelling Islamic finance forward. By expanding its issuance capacity, introducing innovative Sukuk structures and engaging a growing investor base, the IILM has addressed critical gaps in the market such as the scarcity of short-term Sukuk. Its efforts have reinforced the IILM's reputation as a trusted provider of Shariah compliant liquidity solutions and a driving force in the sector's development.

As the Islamic finance industry navigates the challenges of 2025, the IILM is well-positioned to lead with bold initiatives that broaden and redefine the Islamic liquidity management propositions. Through collaboration, innovation and an unwavering commitment to Shariah principles, the IILM continues to advance the global Islamic finance ecosystem. Its vision for 2025 and beyond underscores the organization's role as a catalyst for growth, ensuring that Islamic finance remains a dynamic and integral part of the global financial landscape. (2)