

Solid demand for IILM sukuk may compel a programme upsize

BY **ADELINE PAUL RAJ**

Despite market uncertainties globally, there continues to be strong demand for the short-term sukuk regularly issued by the International Islamic Liquidity Management Corp (IILM) to cater to the liquidity needs of Islamic financial institutions.

Given that, the IILM is looking into the possibility of upsizing its sukuk issuance programme from US\$6 billion (RM26 billion) currently, its CEO Mohamad Safri Shahul Hamid says.

“It’s something we are assessing given the strong demand for high-quality short-term sukuk,” he tells *The Edge* in an interview.

Only last year, the IILM upsized its sukuk programme to US\$6 billion from US\$4 billion to meet that strong demand. The expansion helped facilitate the inclusion of new sukuk assets worth about US\$1 billion, allowing IILM’s total amount of outstanding sukuk to reach US\$4.14 billion as at the end of last year, from US\$3.51 billion the year before.

“Demand for our short-term sukuk is really growing. It’s thriving. For us to be able to meet the demand, we need to have bigger assets. Our sukuk are backed by highly rated assets on a one-to-one basis,” Safri says.

“Our target was for our outstanding sukuk to reach US\$5 billion by the end of this year. But, based on the pipeline of deals that we have now, we might be reaching that target sooner; hence, we are now looking into the

possibility of increasing the programme size further.”

The IILM, headquartered in Kuala Lumpur, is a one-of-a-kind international organisation set up in Oct 2010 by several central banks and a multilateral institution to create and issue short-term shariah-compliant financial instruments — thus far, sukuk — to facilitate effective cross-border liquidity management for institutions that offer Islamic financial services.

Its short-term US-dollar-denominated sukuk, in varying tenors of up to 12 months, is currently distributed by a network of 12 primary dealers globally — including Abu Dhabi Islamic Bank, Qatar Islamic Bank and Kuwait Finance House — and this is expected to grow to 14 this month. In Malaysia, there are three: Maybank Islamic, CIMB Islamic Bank and, most recently, Affin Islamic Bank.

The IILM has, over the years, undertaken 276 issues with a total value of US\$113.95 billion as at the end of last year.

It uses the proceeds from each issuance to invest in sukuk that may be issued by a sovereign, sovereign-linked or supranational that carries a minimum credit rating of “A” by S&P Global Ratings and Fitch Ratings.

Interestingly, Safri is the first Malaysian to helm the IILM. Prior to joining the organisation in Jan 2024, Safri was with CIMB Group Holdings Bhd (KL:CIMB) for some 17 years, serving in various capacities including as deputy CEO at CIMB Islamic Bank and senior managing director at CIMB Investment Bank/CIMB Bank.

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Safri: This year, I think our average [sukuk issuance] is going to be about US\$1.4 billion a month

He has notched up about 30 years of experience in the banking and financial sector, most of which is in the Islamic sphere.

The global Islamic finance industry has grown by leaps and bounds over the years, with total assets estimated at over US\$4 trillion currently and expected to reach close to US\$7 trillion by 2027.

With that comes the need for the growing Islamic banks to manage their liquidity more efficiently and proactively. Yet, liquidity management remains a constant challenge for Islamic banks, Safri points out.

“If you were to compare the Islamic liquidity management tools or offerings available

versus those in the [conventional space], we are obviously not there yet. So, the IILM is there to plug the gap when it comes to managing Islamic liquidity for Islamic banks.”

But with demand being so strong, the challenge is then on the IILM to be able to issue “a much larger” short-term sukuk each time, he adds.

IILM’s sukuk issuance averaged US\$1 billion a month last year, for a total of US\$13.01 billion for the year. “This year, I think our average is going to be about US\$1.4 billion a month. And in certain months, we will be doing two auctions per month,” Safri says.

Meanwhile, IILM’s investor base has been growing. Last year, it saw the participation of 26 new investors across different regions for its sukuk, including 15 Islamic accounts. “We have observed that a lot of investors are now the conventional [accounts], as they are attracted by our high-quality Islamic paper,” he says.

IILM’s current shareholders are the central banks of Indonesia, Kuwait, Malaysia, Mauritius, Nigeria, Qatar, Türkiye, the United Arab Emirates and the multilateral Islamic Corporation for the Development of the Private Sector. **E**



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