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Malaysia's Sustainability Sukuk oversubscribed by 6.4 times, allocation well-spread globally

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KUALA LUMPUR, April 22 – The Government has successfully priced the world's first sovereign US Dollar Sustainability Sukuk, via the issuance of US\$800 million 10-year Trust Certificates and also issued US\$500 million 30-year Trust Certificates with the allocation well spread globally from Asia to the United States.

Investors' confidence was clearly reflected in the offering being oversubscribed by 6.4 times.

Due to the overwhelming demand the Government decided to upsize the size to US\$1.3 billion from US\$1.0 billion initially, the Ministry of Finance (MoF) said in a statement here, today.

It said both tranches have been assigned a rating of A3 by Moody's Investors Service and A- by S&P Global Ratings.

The strong demand has also resulted in the lowest ever yield and spread for a US-dollar sukuk issuance by Malaysia, with the 10-year and 30-year Trust Certificates priced at 2.07 per cent [T + 50 basis points] and 3.075 per cent [T + 80 basis points], respectively.

More importantly, this demonstrates the market's confidence in Malaysia's economic recovery and growth prospect

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issuance, which also reflects their belief in Malaysia's strong economic fundamentals and solid prospects for growth," Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz said.

He said the issuance is not only a global first on many fronts, but also a strong recognition of Malaysia's Islamic finance industry's innovative capabilities in structuring sukuk to help advance Malaysia's SDG-focused policies towards achieving the Shared Prosperity Vision 2030.

Subsequent to a virtual roadshow covering Asia, the Middle East, Europe and the US, the sukuk attracted a diverse group of investors.

The allocation was well-spread globally, with 55 per cent of the principal amount of the 10-year sukuk distributed to investors in Asia, 33 per cent to Europe, Middle-East and Africa (EMEA), and 12 per cent to the US, while 46 per cent of the principal amount of the 30-year sukuk was distributed to investors in Asia, 33 per cent to EMEA, and 21 per cent to the US.

By investor type, the distribution of the 10-year tranche was 67 per cent to fund managers and insurance companies, 18 per cent to central banks and governments, 14 per cent to banks and 1.0 per cent to others investors, while for the 30-year tranche was 83 per cent to fund managers, 10 per cent to banks, 4.0 per cent to central banks and governments, and 3.0 per cent to other investors.

Malaysia's maiden Sustainability Sukuk is the world's first US Dollar Sustainability Sukuk issued by a sovereign, whereby proceeds will be used for eligible social and green projects aligned to the United Nations' Sustainable Development Goals (SDG) Agenda.

This will enable Malaysia to not only meet its commitments as a responsible nation and signatory to the Paris Agreement, but also further its efforts to advance its people's socio-economic well-being.

It is also a testament to the Government's efforts in combating climate change, as well as accelerating the transition towards a more resilient and inclusive economy, in line with the Government's Shared Prosperity Vision 2030, said the ministry.

This Sukuk is also unique as its underlying assets are sustainable assets, being vouchers representing travel entitlement on Malaysia's Light Rail Transit, Mass Rapid Transit and KL Monorail networks.

As the first sovereign issuance with such assets in a sukuk structure, this issuance sets a new benchmark and showcases Malaysia's global leadership in Islamic finance, reinforcing the country's position as the world's largest sukuk market.

The Sustainability Sukuk is issued via a special purpose vehicle, Malaysia Wakala Sukuk Bhd, and based on Malaysia's newly-established The Government of Malaysia SDG Sukuk Framework.

The Framework was assessed by Sustainalytics, which has declared it as being aligned with the four core components of the Social Bond Principles 2020 (SBP), the Green Bond Principles 2018 (GBP), and the ASEAN Sustainability Bond Standards 2018 (ASEAN SUS). Both the Framework and Sustainalytics' Second Party Opinion can be accessed at www.mof.gov.my/en/economy/sustainability.

CIMB, HSBC, and JP Morgan acted as the Joint Bookrunners and Joint Lead Managers on this offering. In addition, HSBC Amanah Malaysia and JP Morgan were the Joint SDG Structuring Agents.

The Sustainability Sukuk's Shariah structure has been approved by the Board Shariah Committee of CIMB Islamic Bank Bhd and HSBC Global Shariah Supervisory Committee.

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