

SUKUK RISK



11th April 2018, KUALA LUMPUR

SIDC CPE - accredited: 10 CPE Points

This 1-day course provides an in-depth analysis of financial and non-financial risks which impact Sukuk.

The course comes at an opportune time. In June, 2017, Abu Dhabi-listed company, Dana Gas, announced it would stop payments on its Sukuk on the grounds of Shari'a impermissibility. It proposed that creditors instead exchange the Sukuk for new Islamic instruments with a far lower profit rate. This announcement dealt a devastating blow to the Sukuk industry, and highlighted the risky nature of investing in financial instruments sold into a less mature global capital market which continues to undergo significant development as it evolves.

This course on Sukuk risk starts by briefly explaining the different structures of Sukuk instruments used for funding and investment purposes in order to identify how these structures create risk. It then moves on to analyse the most important risks in depth, and provide practical insights into how to manage them. These risks include

- Credit risk
- Market risk
- Liquidity risk
- Shari'a non-compliance risk
- Accounting risks

KEY HIGHLIGHTS

- Know and understand the key risks inherent in various types of Sukuk instruments
- Appreciate why Sukuk risk is very different to conventional bond risk
- Know and understand how to manage Sukuk risks to safeguard against loss

AGENDA

Session One: Sukuk Instruments

Overview of Sukuk

- What Sukuk are, and what Sukuk are not
- How are Sukuk different to conventional bonds?
- How are Sukuk rated by the rating agencies?
- Can Sukuk be traded? If so, what are the Shariah requirements?

Risks Arising in Sukuk Instruments

- Murabahah Sukuk
- Salam Sukuk
- Ijarah Sukuk
- Istisnah Sukuk
- Mudharabah Sukuk
- Musharakah Sukuk

Session Two: Credit Risk of Sukuk

- How does credit risk arise in Sukuk?
- Credit risk on the originator versus credit risk on the underlying assets
- Sukuk structuring and its impact on credit risk
 - Nature of the underlying assets
 - Repurchase undertaking
 - Liquidity facility
- What happens when risk is not accurately priced?

Example 1:

Pricing credit risk in a Sukuk Al-Ijarah with real estate underlying and a repurchase undertaking

Session Three: Market Risk of Sukuk

- What is market risk and how does it arise in Sukuk?
- Does market risk only arise in traded Sukuk?
- Sukuk instruments which bear
 - interest-rate risk
 - equity price risk
 - commodity price risk
 - currency risk
- How can we accurately price market risk in Sukuk if they are not actively traded?

Example 2:

How to apply Value-at-risk (VaR) to determine the price risk of commodity murabaha Sukuk with security deposit

Session Four: Liquidity and Other Risks in Sukuk

- What types of liquidity risk arise in Sukuk?
- Market liquidity risk in traded Sukuk
- Funding liquidity risk and MTN programs which use Sukuk for Balance Sheet funding
- Is the liquidity facility really necessary?
- Other types of risks in Sukuk
 - Shariah non-compliance risk
 - Accounting and de-recognition risks
 - Project completion risk

SPEAKER



Dr Ken Baldwin
Former Director
*Financial Policies &
Planning, Islamic
Development Bank*

Dr. Ken has worked as a practitioner in banking and finance for over 25 years in senior quantitative finance and risk management positions. Having graduated from Oxford University with a first-class honors degree in Physics, he qualified as a Chartered Accountant before joining UBS, and then later Credit Suisse, in derivatives risk and control functions based in London. He gained a PhD in the microeconomic theory of risk sharing in Islamic contracts, and worked in the GCC for 15 years in Islamic retail and Islamic investment banks. Dr. Ken built an ALM analytic technology platform for Abu Dhabi Islamic Bank, was MENA Regional Head of Quantitative Analysis for Citigroup, and has worked in quantitative risk management roles for both conventional and Islamic private equity and venture capital institutions. He most recently set up the Islamic Development Bank's Financial Policies and Planning function, which provides risk and pricing analytic support at product and balance sheet levels. Dr. Ken is currently a senior university lecturer in finance in the UK, has published quantitative finance articles in peer-reviewed academic journals including the Journal of Risk, and taught CFA and FRM in his earlier career.

Who Will Benefit?

- Chief financial officers, heads of finance, and finance officers
- Chief risk officers, risk managers, and risk analysts
- Treasurers and treasury managers
- Capital market deal originators and structurers
- Fixed income portfolio managers and other fund managers
- Ratings agency analysts

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Associate Partner:

RM 17,500

- Logo on all promotional activities
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- Full coverage on the Seminar website including biography and hyperlinked logo
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* Please note that prices do not include GST

* Further attractive packages are available for groups of more than five. Please contact us directly.

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Available Discounts

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