

# **THE SUDAN EXPERIENCE**

**IN ISSUING AND MANAGING  
ISLAMIC FINANCIAL  
INSTRUMENT  
(SUKUK)**

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# CONTENT

- Historical evolution of the Sudan money market.
- The development of Islamic sukuk.
- Sukuk investment opportunities and analysis.
- 4-Sukuk regulatory framework.
- General issues limiting the money market.
- Concluding remarks and recommendation

# Historical Evolution of Sudan Money Market

- Up to 1977 conventional banking and interest bearing financial instruments.
- 1977-1983 conventional and Islamic banking and interest bearing financial instruments.
- 1983-1998 full fledged Islamic banking and finance.

- 1998-2005 Islamic banking non –interest bearing financial instrument ( G.M.Cs , G I Cs ,and CMC ) .
- 2005 UP TO the present , dual banking system according to the CPA , that is Islamic banking and finance in the north of Sudan and conventional banking and finance in south of Sudan.

# The development of Islamic sukuk.

<b>Financial instrument</b>	<b>Central bank IJARA certificates (Shihab</b>	<b>Government musharaka certificates (G M C)</b>	<b>Government investment certificates (G I Cs)</b>
<b>maturity</b>	<b>unlimited</b>	<b>Short term one year</b>	<b>Long term (2-6) years</b>
<b>Tendering</b>	<b>Were sold in competitive price auction within the banks</b>	<b>Were sold in competitive price auction</b>	<b>Were sold in competitive price auction</b>
<b>Asset structure and mechanism</b>	<b>Asset based securities issued against the Central bank Assets</b>	<b>Assets based securities issued against certain percentage of government ownership in more profitable and joint venture enterprise</b>	<b>Asset based securities issued against a number of contracts Ijara, Salam , Musharaka , Istisna, etc)</b>

<b>Return on investment</b>	<b>Central bank paid 10%</b>	<b>Mof pays (15-18%) per year</b>	<b>Mof pays (15-17%) per year</b>
<b>Contractual relationship</b>	<b>Relation between cbs and commercial banks based on IJARA contract</b>	<b>Relation between of and investors based on musharaka contract</b>	<b>Relation between of and spv based on musharak, ijara, istisna, sala, etc a contract</b>

# Sukuk regularity frame work

## Infrastructure bodies

- special purpose vehicle (SPV).
- monitoring sharia aspect of Islamic banks and other finance institutions (HSSB) .
- reviewing sharia aspect of sukuk (SSB).
- SECONDARY MARKET FOR SUKUK(KSE).

- reviewing technical aspect of sukuk product (SRC).
- accounting and auditing standards (AAOIFI).
- Government regulatory standards (IFSB)

# The Mutual Islamic Fund

- Supervisory Board
  - The legal structures for investment funds: the instruments of the law in 1995
  - Procedural steps: the legal and administrative procedures
  - Areas of work of the funds: invest in government securities, stocks, industry funding, water, real estate.
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- The types of funds: funds mixed fund reconstruction fund, stocks, fund industry, water fund :
- Maturity: 2-6 years
- Profit: 15-18% (80% head of finance, 20% of the bats?)
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- Assets: 51% of the assets of the Fund's leasing
- The sale and purchase of instruments: market Khartoum Stock Exchange

# General issue limiting money market

- Lack of regularity support (e.g. SEC).
- secondary market illiquid due to the absence of market makers and underwriters in sukuk.
- Limited availability of bench mark to the pricing of sukuk (e.g. yield curve).

# Recommendation

- To achieves the major objective of sukuk instrument.
- Key support by regularity bodes.
- Sukuk bench marks.
- Greater coordinating and cooperation among the major industry player.