

9th Annual

# Islamic Finance Summit

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Capital Market Solutions to Restructuring Sukuk

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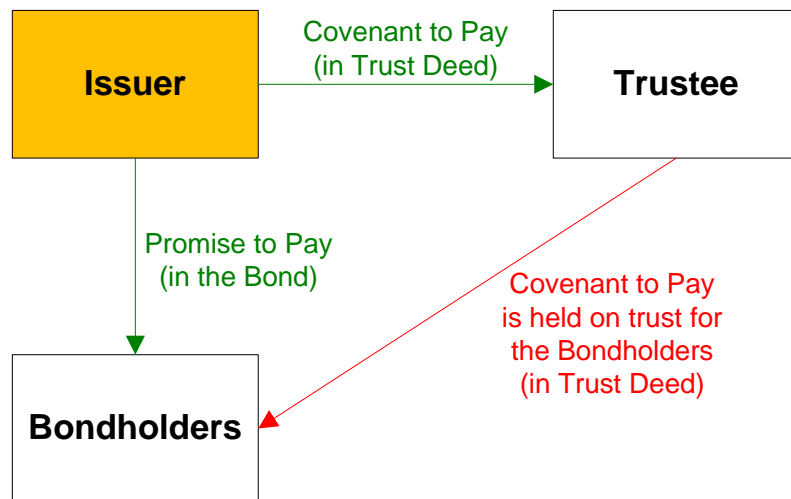
## Overview

- Differences from Conventional Bond Restructures
- Role of the Delegate on enforcement
- Amendments to Existing Terms (consent solicitations)
- Exchange Offers/Cash Tender Offers

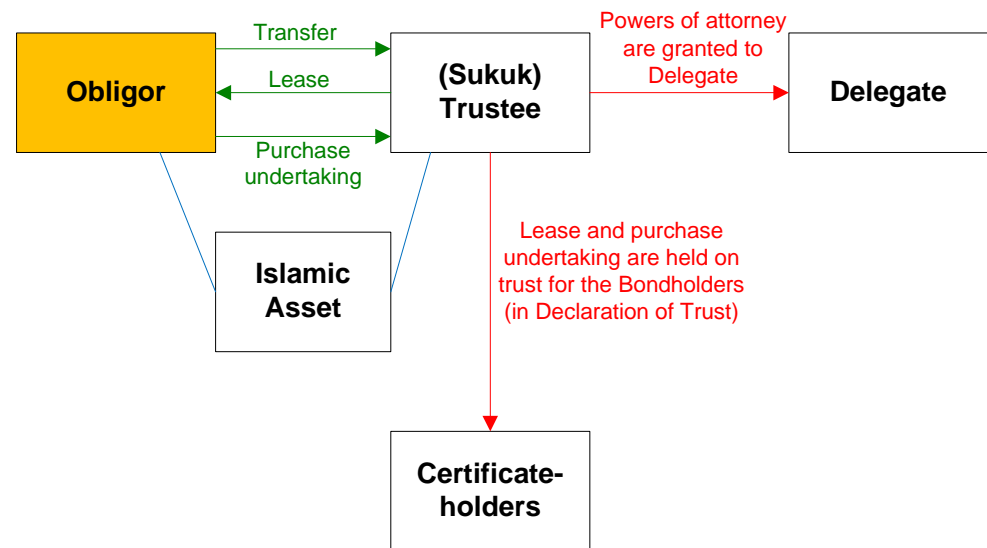
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## Structure of Sukuk makes Restructuring Different than a Bond

### A. "Conventional" Bond



### B. Sukuk (Ijara)



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## Enforcement

- *Locus standi* of the Delegate – act as attorney of the Trustee
- Take action under the Purchase Undertaking and Guarantee
- Delegate not bound to act

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## Enforcement - Powers vested in the Delegate

- Power to convene Meetings
- Determine whether any Dissolution Event or Potential Dissolution Event has occurred
- Amendments
- Waiver, Authorisation and Determination
- Appointment of new Trustees

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## Enforcement - Delegation of authority to the Delegate

- Trustee irrevocably appoints the Delegate to be its attorney
- Upon the occurrence of a Dissolution Event or Potential Dissolution Event, to perform tasks the Delegate considers necessary to exercise the Trustee's rights under the Purchase Undertaking and Guarantee
- Subject to the Delegate being indemnified/secured/prefunded to its satisfaction

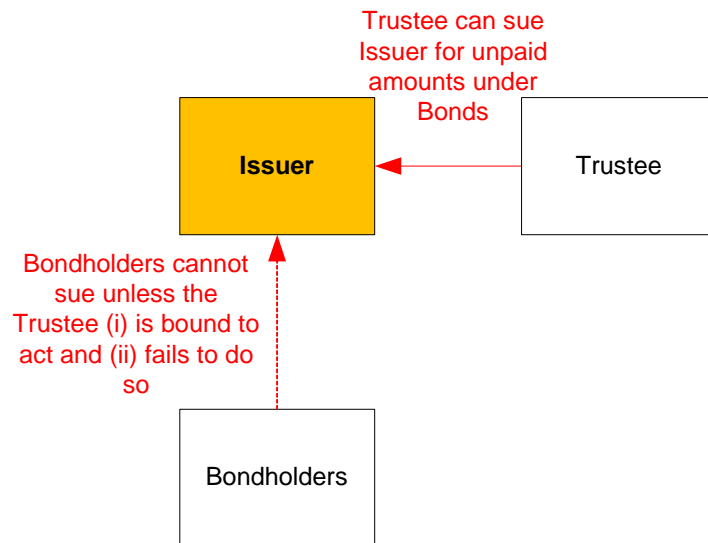
## No action by the Certificateholders

- No action
- Limited Recourse
- Non-petition

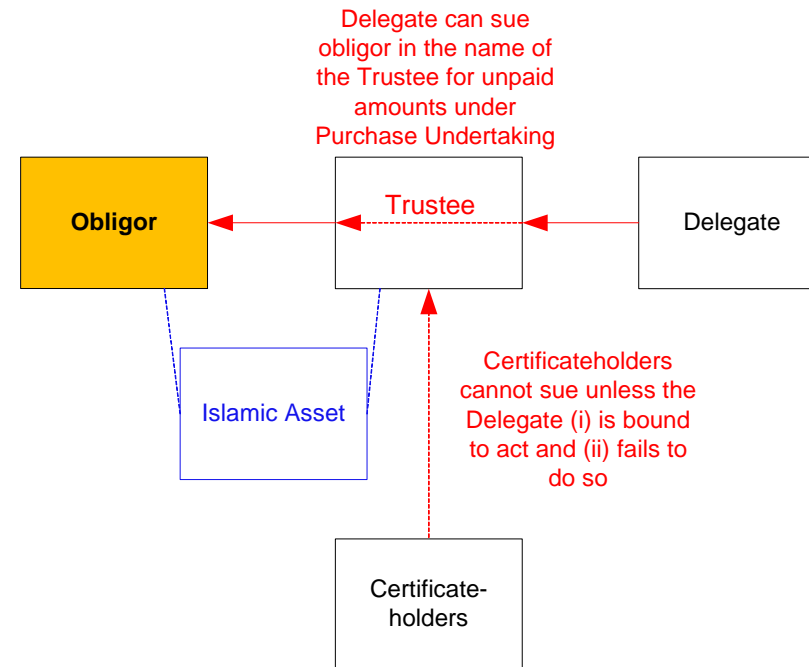
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## Enforcement

### A. "Conventional" Bond



### B. Sukuk (Ijara)



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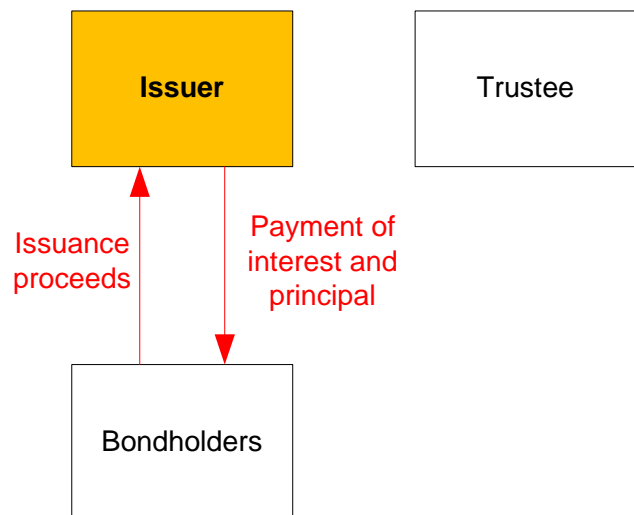
## Amendment of Existing terms

- Consent Solicitation
  - “Who” is seeking the consent?
  - “What” is the incentive for providing the consent (increase in rental)
  - Underlying documentation must be amended
  - Offer Document must be distributed into clearing systems

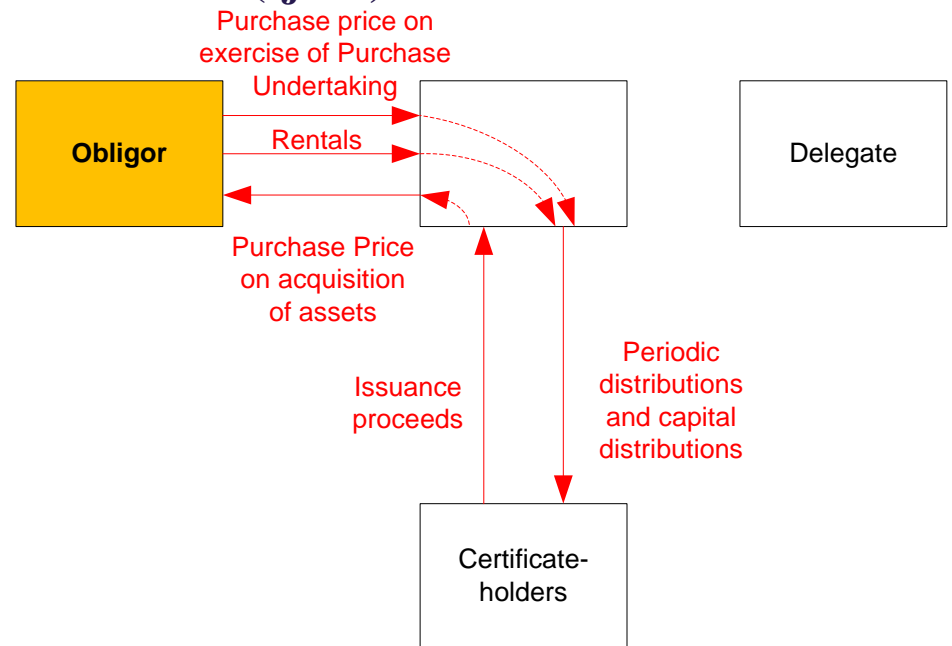
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## Cash Flows

### A. "Conventional" Bond



### B. Sukuk (Ijara)



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## Cash Tender Offers

- Secondary market pricing of securities may make it attractive for an offer to purchase existing certificates
- Not the same as conventional bond issuer (cancellation)
- “Who” is making the offer?
- If only partial purchase how are assets released?

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## Exchange Offer

- Typically an offer to existing holders of outstanding securities to exchange for new securities
- New securities have different commercial terms (and incentive required)
- Similar meeting process to the amendment of existing terms
- But more complicated than for a conventional bond issuer
- “Who” is making the offer?
- “What” backs the new sukuk being offered?
- A mix of certificates and other assets is possible

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## Restructuring process

