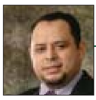
Update on Indonesia's corporate Sukuk so far in 2016



INDONESIA

By Farouk Abdullah Alwyni

Maybank Indonesia has issued its 'Shelf Registration Sukuk Mudarabah I Maybank Indonesia Tranche II' facility (Sukuk Mudarabah) amounting to IDR700 billion (US$53.34 million). The offer period for this Sukuk Mudarabah was from the 6th to the 7th June 2016 and the listing on the Indonesian Stock Exchange was on the 13th June 2016.

The aforementioned Sukuk is part of the 'Public Offering of Shelf Registration Sukuk Mudarabah I Maybank Indonesia' with targeted funds amounting to IDR1 trillion (US$76.2 million). This Sukuk facility has a three-year maturity period with an indicative return of 8.25% per annum. Tranche I of this Sukuk in the amount of IDR300 billion (US$22.86 million) was issued in July 2014. Bank Syariah Mandiri is another bank expected to issue Sukuk in the third quarter of 2016.

Unlike the government Sukuk, which has become a leading Islamic finance instrument in the country, the growth of corporate Sukuk has been much slower. As of the end of 2015, total corporate Sukuk issued amounted to IDR16.11 trillion (US$1.23 billion), less than 5% compared with IDR359.97 trillion (US$27.43 billion)-worth of Sukuk issued by the government. However, it is important to note that the year of 2015 actually showed a major increase in terms of the number of issuances and the amounts.

As shown in Table 1, in 2014, there were only seven issuances amounting to IDR962 billion (US$73.3 million) compared with 16 issuances amounting to IDR3.16 trillion (US$240.79 million) in 2015. This is not to mention the issuance of a US$500 million global unrated Sukuk facility by Garuda Indonesia, the state-owned Indonesian airline, which was not recorded in OJK's statistical data.

However, it remains to be seen whether the issuance of corporate Sukuk in 2016 could be more, if not at least the same, than the year of 2015. The slow growth of corporate Sukuk issuance in Indonesia compared with Malaysia actually should prompt the relevant authorities to evaluate on how business-friendly the existing regulations are.

> ***"The slow growth of corporate Sukuk issuance in Indonesia compared with Malaysia actually should prompt the relevant authorities to evaluate on how business-friendly the existing regulations are"***

It is important to ensure that all of the regulations issued so far are able to address the issues of bureaucratic barriers faced by the corporates. In addition, fiscal incentives for companies issuing Sukuk should really be put on the table if the authorities are serious in promoting the growth of Islamic finance.

Farouk Abdullah Alwyni is the chairman of the Center for Islamic Studies in Finance, Economics, and Development and CEO of Alwyni International Capital. He can be contacted at faalwyni@alwynicapital.co.id.

Table 1: Corporate Sukuk issuance 2013-15

Year	Sukuk issuance		Cumulative Sukuk issuance	
	Total value (in billion IDR)	Total number	Total value (in billion IDR)	Total number
2013	2,204	10	11,994	64
2014	962	7	12,956	71
2015	3,158	16	16,114	87

Source: Indonesia's Financial Services Authority (OJK)