

## SHARKAWY & SARHAN OVERVIEW ON SUKUK UNDER THE NEW LAW NUMBER 17 FOR THE YEAR 2018

### SUKUK 101

#### Sukuk, is it a new financial instrument?

Previously, Sukuk were regulated by law no. 10 of 2013 (the “Old Law”). The CM Law Amendment has replaced the Old Law. IFIs are now explicitly allowed to issue Sukuk.

#### What is Sukuk?

Sukuk is defined under the CM Law Amendment as nominal financial instruments of equal value with a maximum term of thirty years. Each of the Sukuk represents a common share in the ownership of certain assets, benefits or rights, or in the ownership of a specific project, its rights or its cash flow.

Sukuk can be issued in EGP or any other exchangeable currency.

## What are the regulated types of Sukuk?

- Mudarabah Sukuk;
- Murabahah Sukuk;
- Musharakah Sukuk;
- Ijarah Sukuk; and
- any other types included
- under the ER of the CM Law.

## Can You Issue Sukuk?

Actually, this depends on several conditions. We have prepared a [table below](#) of (i) project conditions; (ii) issuance conditions; and (iii) procedures.

# Can you issue Sukuk?

PROJECT CONDITIONS	ISSUANCE CONDITIONS	PROCEDURES
<ul style="list-style-type: none"> <li>✓ must generate income;</li> </ul>	<p>you can appoint a licensed company for issuing sukuk (“Issuing Company”); or</p>	<p>The amended ER has not been issued yet. We expect that it will set out the procedural requirements for issuing Sukuk and the disclosure requirements.</p>
<ul style="list-style-type: none"> <li>✓ must be managed by specialized management;</li> </ul>	<p>you can issue the Sukuk directly, in accordance with special conditions and regulations to be issued by the FRA for this purpose.</p>	<p>For the time being here are some points we know:</p> <p>All Sukuk must be deposited in the MCDR, whether it will be offered to public or in private placements.</p>
<ul style="list-style-type: none"> <li>✓ must be in Egypt in case the company or the entity is not Egyptian;</li> </ul>	<p>If you are an IFI, you can obtain financing through Sukuk after the approval of the FRA and the CBE.</p> <p>FRA has not issued the conditions and procedures required to approve the issuance of Sukuk by IFIs, yet.</p>	<p>For public offering:</p> <p>Sukuk must be listed in the EGX or in an offshore stock exchange after obtaining FRA’s approval.</p>

# Can you issue Sukuk?

- ✓ must have independent financials including periodic and annual financial statements;
- ✓ the issuer must appoint a separate auditor for the project; and
- ✓ financial statements should be issued and audited in accordance with the accounting standards approved by FRA. The New Law grants FRA the authority to approve any accounting and auditing standards issued from specialized international entities.