

# Malaysia's largest Sukuk offering for the year

In the final week of October Cagamas, Malaysia's national mortgage provider, successfully auctioned its Sukuk commodity Murabahah worth RM2.5 billion (US\$768.89 million). Rated 'AAA' and 'AAAid' by RAM and MARC respectively, the certificates reaped oversubscriptions of up to RM8 billion (US\$2.46 billion). Due to the strong demand, the issuance was upsized by 52%, from its initial RM2.5 billion (US\$768.89 million) to a final amount of RM3.8 billion (US\$1.16 billion). The Islamic medium-term notes were issued as part of the company's existing RM60 billion (US\$18.45 billion) Islamic commercial papers and medium-term notes program.

**“ The issuance is Malaysia's largest Sukuk commodity Murabahah deal for the year, and the largest single issuance for Cagamas in the company's 26-year history ”**

Speaking exclusively to Islamic Finance news, Chung Chee Leong, the president and CEO of Cagamas, said: "The issuance is Malaysia's largest Sukuk commodity Murabahah deal for the year, and the largest single issuance for Cagamas in the company's 26-year history."

In spite of volatile market conditions, the certificates still managed to attract a book size of approximately RM8 billion (US\$2.46 billion), receiving bids from a diverse range of domestic and foreign investors comprising of corporates, financial institutions, asset managers, pension funds and insurance companies.

**Cagamas**

**1- To 20-Year Islamic medium-term notes**

**RM3.8 billion**



**28<sup>th</sup> October 2013**

As to the challenges encountered in the process of issuing the Sukuk, Chung said: "To fund purchases of assets, Cagamas needed to issue debt securities even during difficult and uncertain market conditions. In order to minimize and eliminate possible risks, a well-planned strategy for the issuance was created to enlist all possible risks and... mitigating factors." By virtue of Malaysia's Capital Markets and Services Act 2007, as a registered person thereunder, Cagamas was able to approach and liaise directly with end investors to gauge their appetite under the current market conditions. The company also sought assistance from the joint lead managers to leverage on their available distribution networks in ensuring a successful issuance exercise.

Commenting on the Sukuk structure, Chung explained that the commodity Murabahah structure was selected as it is globally accepted in the GCC and has proved able to meet the requirements of a larger range of investors. Additionally, the structure has also been endorsed by the National Shariah Advisory Council. "Offered in eight different tenors ranging from a year to 20 years of maturity, the Sukuk caters to the varying requirements of the investment community and provides investors with an opportunity to invest in high grade papers of shorter to medium-term tenors," said Chung.

Proceeds from the issuance will be used to fund the purchase of Islamic home financing from the financial system as well as other types of eligible Islamic financing instruments for the company's working capital. ☺ — NA

<b>Issuer</b>	Cagamas
<b>Obligor</b>	Cagamas
<b>Issuance Price</b>	Par
<b>Purpose of issuance</b>	Purchase of Islamic financing
<b>Trustee</b>	PB Trustee Services
<b>Tenor</b>	One, three, five, seven, 10-, 12-, 15- and 20-year
<b>Coupon rate / return</b>	1 year = 3.4% 3 years = 3.65% 5 years = 3.95% 7 years = 4.15% 10 years = 4.3% 12 years = 4.55% 15 years = 4.75% 20 years = 5%
<b>Payment</b>	Semi annually
<b>Currency</b>	Ringgit Malaysia
<b>Maturity date</b>	29 <sup>th</sup> October 2014 28 <sup>th</sup> October 2016 26 <sup>th</sup> October 2018 28 <sup>th</sup> October 2020 27 <sup>th</sup> October 2023 28 <sup>th</sup> October 2025 27 <sup>th</sup> October 2028 28 <sup>th</sup> October 2033
<b>Lead managers and Bookrunners</b>	AmInvestment Bank, CIMB Investment Bank, Maybank Investment Bank and RHB Investment Bank
<b>Principal advisor(s)</b>	CIMB Investment Bank, Maybank Investment and HSBC Bank Malaysia
<b>Governing Law</b>	Laws of Malaysia
<b>Legal advisor(s) / counsel</b>	Zaid Ibrahim & Co as legal counsel for the issuer. Christopher Lee & Co as legal counsel for joint principal advisers and joint lead arrangers
<b>Listing</b>	Not listed on Bursa Malaysia Securities or any other stock exchanges
<b>Rating</b>	'AAAID' by MARC and 'AAA' by RAM
<b>Shariah advisor(s)</b>	CIMB Islamic, Maybank, HSBC Bank Malaysia and Amanie Advisors
<b>Structure</b>	Commodity Murabahah
<b>Investor breakdown</b>	Local and foreign investors comprising corporates, financial institutions, asset managers, pension funds and insurance.
<b>Face value / minimum investment</b>	RM3.8 billion (US\$1.16 billion)