

Cagamas' Sukuk issuance well received despite volatile market conditions

As part of its RM60 billion (US\$18.42 billion) Islamic commercial papers (ICP) and medium-term notes (MTN) program, Cagamas recently issued RM500 million (US\$153.56 million) in ICPs last week. The certificates carry a maturity period of three months and are issued to purchase Islamic financing from the financial system. Commenting on the issuance, Chung Chee Leong, CEO of the national mortgage corporation, said: "Although market sentiment remained cautious over the outcome of the Federal Open Market Committee meeting in September, our ICPs received strong demand from investors as it was two times oversubscribed."

According to Chung, the oversubscription of the papers was a testament to the confidence of investors in Cagamas' credit profile. He explained that it was fully taken up at a very competitive pricing despite the volatile market condition. According to a statement, this new issuance brings the corporation's total issuances for the year to approximately RM3 billion (US\$921.38 million), indicating an 8% increase compared to the corresponding period last year.

Issued under the 'investor-friendly' Islamic commodity Murabahah structure, the papers hold a return of 3.2% and are due for maturity on the 26th December 2013. Speaking to *Islamic Finance news*, Chung noted that the commodity Murabahah structure was selected because it has been endorsed by the National Shariah Advisory Council and has proven to meet the requirements of a wider scope of investors. In addition, Malaysia's sizeable inventory of crude palm oil resources has made a useful alternative to contracts based on London Metal Exchange commodities.

Commonly issued at a discount, Cagamas is the first corporate to issue profit-based ICPs. Investors are to purchase the certificates at par value on the issuance date, and will subsequently receive face value plus profit on the date of maturity. Receiving a strong demand from both domestic and foreign owned financial institutions, the papers are tradable under the Scripless Securities Trading System.

Cagamas RM500 Million (US\$153.56 Million)



Three-Month Islamic Commercial Papers

25th September 2013

Issuer	Cagamas
Obligor	Cagamas
Issuance price	Par
Purpose of issuance	Purchase of Islamic financing
Trustee	PB Trustee Services
Tenor	Three months
Coupon rate/return	3.2%
Payment	At settlement date
Currency	Malaysian ringgit
Maturity date	26 th December 2013
Lead manager(s)	AmInvestment Bank
Principal advisor(s)	CIMB Investment Bank, Maybank Investment and HSBC Bank Malaysia
Governing law	Laws of Malaysia
Legal advisor(s) / counsel	Zaid Ibrahim & Co as legal counsel for the issuer. Christopher Lee & Co as legal counsel for joint principal advisers and joint lead arrangers.
Listing	Not listed on Bursa Malaysia Securities or any other stock exchanges
Underlying assets	Shariah compliant commodity
Rating	'MARC-1ID' by MARC and 'P1' by RAM
Shariah advisor(s)	CIMB Islamic Shariah Committee, Maybank Shariah Committee, HSBC Bank Malaysia Shariah Committee and Amanie Advisors
Structure	Commodity Murabahah
Tradability	Yes
Investor breakdown	Financial institutions
Face value	RM500 million (US\$153.56 million)

Since its incorporation in 1986, the mortgage company has cumulatively issued RM268.5 billion (US\$82.46 billion) in conventional bonds and Sukuk. It is

the largest issuer of 'AAA' debt securities in the market and second-largest issuer of debt instruments after the government of Malaysia. ⁽²⁾ – NA