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CASE STUDIES EDITOR'S PICK

Case study: Cagamas's private placement SRI Sukuk

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Cagamas, the National Mortgage Corporation of Malaysia, has issued a RM500 million (US\$108.7 million) ASEAN social SRI Sukuk through private placement on the 1st November 2022. Proceeds of the Sukuk will fund the purchase of affordable home financing.

"Given the current limited supply of sustainability-related SRI Sukuk in the domestic market, this transaction could give investors an avenue to mobilize their funds to fulfill their SRI mandate," Chung Chee Leong, the president/CEO of Cagamas, told ISFI.

The issuance priced at 43bps above the corresponding Malaysian Government Investment Issues at 4.35% with semi-annual payments. The main differentiating factor of this issuance from Cagamas's [previous](#) sustainability Sukuk issuances is the mode of issuance, with previous sustainability Sukuk being issued through bookbuilding.

The underlying asset for the commodity Murabahah-based facility is eligible Islamic affordable house financing with RM200 million (US\$43.48 million) maturing on the 27th October and RM300 million (US\$65.22 million) on the 31st October 2023.

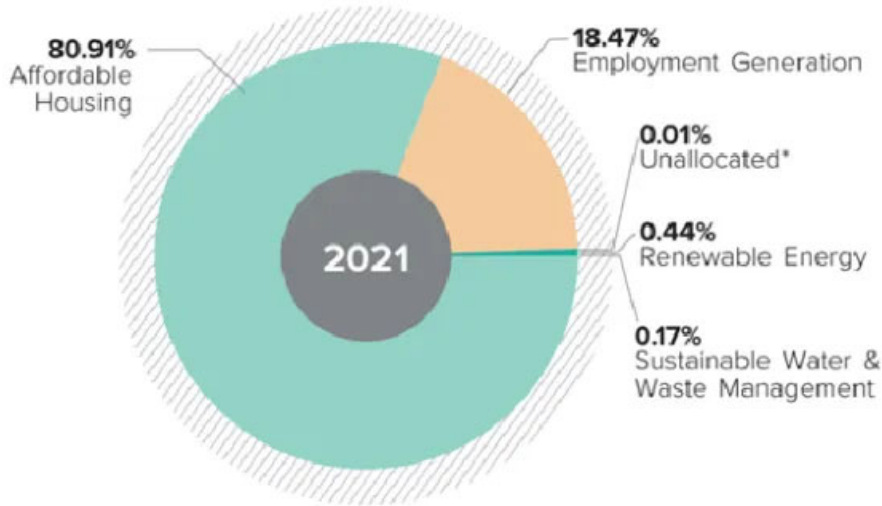
CIMB Investment Bank, Maybank Investment Bank and HSBC Bank Malaysia were appointed as the principal advisors while Hong Leong Islamic Bank was appointed as the lead manager of the Sukuk.

The Sukuk facility was issued in conjunction with RM2.3 billion (US\$500.04 million)-worth of combined multi-tenored Islamic medium-term notes and one-year Singapore dollar-denominated SG\$65 million (US\$47.33 million)-worth of fixed rate euro medium-term notes.

Chung told ISFI that Cagamas is continuing to explore the opportunity to issue foreign-denominated Sukuk as well as SDG bonds to meet its business needs. It is exploring innovative sustainability-related issuance to further catalyze the development of the domestic Sukuk market.

SRI Sukuk can also further motivate asset-selling institutions to originate more sustainable housing loans and financings to the borrower with the availability of competitive funding, Chung added.


Figure 1: Allocation of sustainability issuance proceeds



* Unallocated funds amounting to 0.01% from the total issuance proceeds are placed in money market instruments.

Source: Cagamas

As at the 31st December 2021, Cagamas has issued RM900 million (US\$195.67 million)-worth of sustainability Sukuk and bonds cumulatively with the vast majority of proceeds allocated toward affordable housing at 80.91%.

Cagamas Private Placement SRI Sukuk	
RM500 million (US\$108.7 million)	
	
1 st November 2022	
Summary of terms and conditions	
Issuer	Cagamas
Obligor	Hong Leong Islamic Bank
Size of issue	RM500 million (US\$108.7 million)
Mode of issue	Private placement
Purpose	Purchase of affordable home financing
Tenor	Three years
Issuance price	At par
Profit rate	4.35%
Payment	Semi-annual
Currency	Malaysian ringgit
Maturity date	RM200 million (US\$43.48 million) on the 27th October 2025 RM300 million (US\$65.22 million) on the 31st October 2025
Lead manager(s)	Hong Leong Islamic Bank

Principal advisor(s)	CIMB Investment Bank Maybank Investment Bank HSBC Bank Malaysia
Governing law	Malaysian law
Legal advisor(s)/council	Zaid Ibrahim & Co as legal counsel for the issuer Christopher Lee
Islamic structure	Commodity Murabahah
Underlying asset	Eligible Islamic affordable house financing
Rating	'AAA/Stable' by RAM Ratings 'AAAIIS' by MARC Ratings
Shariah advisor(s)	Amanie Advisors Shariah committee of CIMB Islamic Shariah committee of Maybank Islamic Shariah committee of HSBC Amanah Malaysia
Tradability	Scripless Securities Depository System
Face value/minimum investment	RM1,000 (US\$217)
