



الوكالة الإسلامية الدولية للتصنيف
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“Potential Role of Credit Enhancements in Sukuk”

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Sukuk Defined



Securitization



Attraction of Sukuk for global investors

Sukuk have attracted global investors because of the:

- Security provided by the underlying tangible assets
- Wide ranging terms of maturity
- Restrictions on the debt level of the originators lessening harmful effect of leverage
- Attractive pricing



What is a Credit Enhancement



Purpose of Credit Enhancement



Determination of level of credit enhancement



Credit Enhancement and Shariah Compliance



Types of Credit Enhancement

There are two primary types of credit enhancement:

- A. Internal
- B. External



A. Internal Credit Enhancement

- Excess spread
- Overcollateralization
- Reserve Account
- Negative Carry



B. External Credit Enhancement

- Insurance
- Wrapped Securities
- Letter of Credit
- Cash Collateral Account



CONCLUSION

- Rapidly developing Sukuk market
- Credit enhancement mechanisms must be tested
- Modifications may be introduced



Thank You

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