

Dentons advised ICD and the Government of Jordan on the first Sovereign Sukuk Issuance in Jordan

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Dubai —Dentons has advised Islamic Corporation for the Development of the Private Sector ("ICD"), which is a multilateral development financial institution and is part of the Islamic Development Bank ("IDB") Group, in connection with the Government of Jordan's first sovereign Sukuk issuance using Islamic Finance Instruments, amounting to JOD34 million, to finance the completion of the construction of the new Ministry of Finance building located in the heart of the Capital of Jordan.

The issuance is the first of its kind in Jordan, supporting and developing financing through Islamic capital markets instruments. It utilises an Ijara structure, which resembles other Ijara sukuk issued in the Middle East, but with interesting innovations regarding the rental stream and servicing costs, which found favour with local scholars. It is hoped that the transaction will help accelerate economic development, allow local Islamic banks to utilise their cash flow in Shariah compliant investments, increase stability in investments and attract foreign investors to invest in the country.

The issuer, the Jordanian Company for Islamic Sukuk for Financing Government Projects, is a special purpose vehicle (SPV) and the first SPV registered in Jordan for Islamic Sukuk. The ICD took the lead in providing technical support and assistance to the government. ICD's well recognised experience in the region significantly contributed to the success of the issuance.

Dr. Hana Huneity, the Dean of Scientific Research at the World Islamic Sciences and Education University, and an expert in Islamic financial transactions in the International Islamic Fiqh Academy, who was appointed as the Shariah adviser assisting Dentons, commented: "My advice and involvement on the sovereign Sukuk issuance was one of the most important assignments I was recently engaged in. The issuance aims at financing an existing building owned by the Ministry of Finance, and the construction thereof, pursuant to Ijara Sukuk ending in ownership. The transaction was novel for Jordan and involved careful structuring to ensure it was closely aligned to Shariah principles. In the subscription phase, there was significant demand from Islamic financial institutions, which indicates the credibility of the project, from a Shariah's perspective, and it is hoped that further Sukuk issuances will follow on from its success".

Dentons Middle East banking partner, Alex Roussos, commented: "This is a momentous transaction for the Kingdom, because it required the coming together of a number of legal advisers, Shariah experts, the Government, Japan International Cooperation Agency ("JICA") and ICD, to put together a structure used for the first time in Jordan, which is intended to act as a trailblazer for future Islamic capital markets issuances in the country. We are privileged to have advised the ICD on yet another innovative transaction".

The Dentons team was led by partner Alex Roussos with support from partner Safwan Moubaydeen in Amman.

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