

Issuing Islamic Sukuk Internationally: Reality and Challenges

إصدار الصكوك الإسلامية دولياً: الواقع والتحديات

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Received: 2/11/2022

Accepted: 5/21/2022

Published: 6/5/2022

Abstract:

The present study aims to shed light on the importance of Islamic sukuk, which has witnessed great demand and rapid spread in recent years in both Islamic and non-Islamic countries alike, as one of the most important and promising Islamic financial industrial products, and one of the best means of attracting real savings and collecting the necessary funds, to finance various development projects economically and socially in legitimate ways.

On this basis, this research paper revolves around the conceptual framework of Islamic sukuk, with an attempt to clarify the process of issuing Islamic sukuk and highlight the necessary steps and parties involved for its issuance. On the same line of thought, this study seeks to explore the role and importance of issuing Islamic sukuk, in order to finally identify the most important obstacles and challenges facing this industry and threatening its growth and development.

Keywords: Islamic sukuk, Islamic finance, sukuk issuance, Sharia regulations.

JEL Classification Codes : G23 ; G12

المخلص:

هدفت هذه الدراسة لإبراز أهمية الصكوك الإسلامية التي شهدت إقبالا كبيرا وانتشارا سريعا في السنوات الأخيرة في كل من الدول الإسلامية وغير الإسلامية على حد سواء، باعتبارها من أهم منتجات الصناعة المالية الإسلامية الواعدة، ومن أفضل وسائل جذب المدخرات الحقيقية وتجميع الأموال اللازمة، لتمويل مختلف المشروعات التنموية والحيوية ذات الجدوى الاقتصادية والاجتماعية وبطرق مشروعة.

وسيتم من خلال هذه الورقة البحثية تسليط الضوء على الإطار المفاهيمي للصكوك الإسلامية، مع محاولة توضيح مفهوم عملية إصدار الصكوك الإسلامية وإبراز مختلف الأطراف المشاركة في العملية والخطوات اللازمة للإصدار، ليتم بعدها الوقوف على واقع سوق الصكوك الإسلامية وتبيان مدى نموها وتطورها وانتشارها العالمي، مع التركيز على دور وأهمية إصدار الصكوك الإسلامية، ليتم في الأخير حصر أهم المعوقات والتحديات التي تواجه صناعة الصكوك الإسلامية وتهدد نموها وتطورها .

الكلمات المفتاحية: الصكوك الإسلامية، التمويل الإسلامي، إصدار الصكوك، الضوابط الشرعية

تصنيف جال: G23 ; G12

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1. INTRODUCTION

It is known that the role of Islamic sukuk industry has grown since its emergence in recent years, and it became one of the most important Islamic financial instruments internationally used. Moreover, it has received great attention by many parties and authorities, given its great importance and many advantages, whether for individuals, institutions or governments, as one of the best means for Economic finance that is compatible with the provisions of Islamic Sharia, since it is considered one of the most important means of attracting savings and collecting funds to finance development projects, especially infrastructure projects with economic feasibility, in addition to being one of the solutions adopted by countries to finance their budgets and cover the deficit away from the traditional financing methods that surround them. Nonetheless, there are many suspicions from a legal point of view that surround the topic, such as borrowing, issuing conventional bonds, and issuing cash.

On this basis, Islamic sukuk gained an important place in the global financial markets, and became available to all individuals, companies and governments in various countries of the world, especially after the support and contribution of many government agencies, which opened wide doors for the spread of these Islamic financial instruments.

Furthermore, the Islamic sukuk industry has witnessed a wide spread, demand and remarkable development in recent years, increasing its size and achieving record levels, as the global sukuk market witnessed a remarkable recovery in 2020, due to the large number of the volume of sukuk issuance globally amounted to about 174.641 billion dollars, which is the highest value of annual sukuk since it was first launched in 2017. 2001, with a growth rate of 19.86% compared to 2019, in which the volume of sukuk issuance amounted to about 145.70 billion US dollars. Islamic finance Issuance of these bonds witness many obstacles and challenges that can affect their sustainability of growth, impede their development and weaken the noticeable demand for them.

On this basis, the present research seeks to answer the following question:

What is the reality of the Islamic sukuk market globally? And What are the most important obstacles and challenges facing the process of issuing Islamic sukuk?

In pursuance of this aim, the present study hypothesizes the following:

- The development of the Islamic sukuk industry is linked to the necessity of having an appropriate legal, regulatory and institutional framework that ensures the continuity and growth of sukuk of all kinds.

Based on the aforementioned, this study aims to:

- Clarify the process and conceptual framework of the Islamic sukuk issuance;
- Determine the reality and size of the global market for Islamic Sukuk;
- Highlight the most important obstacles and challenges that Islamic sukuk face in the process of their issuance.

To answer the research questions and achieve the research objectives, the present research paper follows the descriptive approach through collecting various information and statistics related to the growth and developments of the Islamic sukuk industry of all kinds, for the aim of presenting them and determining their development within the framework of the research objectives and the limits of the problem.

2. Conceptual framework of Islamic Sukuk:

One of the infamous Islamic financial tools used internationally is called Islamic sukuk, which is equivalent to the western concept of bonds. The rapid growth that it has witnessed has resulted in attaching great importance to it by various investors in most parts of the world, due to its many characteristics and advantages that distinguish it from various other financial instruments.

2.1 Definition of Islamic Sukuk:

- Islamic Sukuk is a concept that revolves around “issuing financial documents or certificates of equal value, representing common shares in the ownership of assets: assets, benefits, rights, or a mixture of assets, benefits and debts that actually exist, or will be created from the proceeds of subscription, and are issued according to a legitimate contract. and take his judgments.” (Islamic Fiqh Academy of the Organization of the Islamic Conference, 2009)
- Islamic sukuk are defined as “certificates, each of which represents a right of ownership of a common percentage in in-kind assets, or a different group of in-kind assets and others, and the assets may be in a specific project or investment activity, and it is stipulated that the project or activity be in accordance with the provisions of Islamic Sharia.” (Islamic Financial Services Board, 2009)
- Islamic sukuk are known as “documents of equal value, representing common shares in the ownership of objects, benefits or services, or in the assets of a specific project or a private investment activity, after collecting the value of the sukuk and closing the door for subscription and starting to use them for what they were issued for.” (Institutions, The Accounting and Auditing Organization for Islamic Financial, 2007), p. 288)

Therefore, Islamic sukus are also defined as financial documents or certificates of equal value, which represent common shares in the ownership of existing assets or assets that will be created from the proceeds of the subscription. They are issued in the names of those who subscribe to them in return for paying the value written in them, and the subscribers of these sukuk holders participate in the results of this investment according to the conditions the agreed upon and specific to each issuance, and it is also tradable in the financial markets unless it represents pure cash or debt, and its issuance depends on one of the well-known legitimate contracts.

2.2 Characteristics of Islamic Sukuk: (Al-Aujan, 2015) p. 13) (Al-Qari, 2015) p. 05)

- **The equal value of the sukuk:**

Islamic sukuk are issued in denominations of equal value that are specified and registered on them. The principle of equal value of sukuk entails equality in the rights granted by the sukuk, in addition to equality in the obligations imposed on the owner of the sukuk;

– **Adoption of the principle of profit and loss sharing:**

Islamic sukuk is based on the principle of profit and loss sharing, regardless of the applicable investment formula which is prospectus, in the sense that they shall bear a fine in proportion to the instruments owned by each of them;

– **Sukuk is indivisible:**

that is, a single instrument does not accept division and division, and that the owner of the instrument is one person facing the company, and in the event that the ownership of the instrument is transferred to more than one person as a result of an inheritance, gift or will, an agreement must be reached among them to appoint a person one representing them, and this person is the sole owner of the instrument before the issuer;

– **Sukuk represents ownership of common shares in assets:**

Sukuk represents the holder's ownership of common shares in assets designated for investment, properties and/or benefits and/or services, in addition to moral rights, debts and money, and it should not be a debt owed by its issuer to the holder;

– **Tradability:**

Sukuk are negotiable by commercial methods, so their ownership can be transferred from one person to another by any means of transfer of ownership, such as sale, gift, will and inheritance... etc; nonetheless, the trading of Sukuk is based on the Shariah conditions and controls for trading the assets, benefits and services they represent. Thus, their circulation is subject to conditions trading in the assets and rights they represent at their market value, and it is not permissible to issue a promise to buy at the nominal value;

– **Non-guarantee of the issuer of the issued sukuk:**

The issuer should not guarantee the Islamic sukuk in the event of issuing sukuk on the basis of a speculation and gambling, partnership or agency contract, because its hand in this case is a trust, and it is not guaranteed except in the event of infringement or negligence.

– **Compliance with Shariah controls:**

Islamic sukuk comply with the provisions of Islamic Sharia in terms of the activities and investments in which they operate, or in terms of the relationship between their parties, and they are issued under a legal contract, and legal controls regulating their issuance, circulation and return on them, and the types of sukuk differ according to the contract whose provisions differ. According to the different provisions of the legal contracts that represent it.

3. The Framework for the issuance of Islamic sukuk:

The issuance of Islamic sukuk is equivalent to “offering them for subscription by directing the issuer of sukuk wishing to invest or use his/her proceeds in one of the Shariah investment or financing modes or his agent, positively to the public or to their

notable underwriters, offering them to enter into a legal contract with him/her. Their acceptance of this offer shall be by subscribing to the issued bonds and paying their value, and with this acceptance the issuance contract shall be concluded. (Hassan, 2010)p. 21)

3.1 Islamic Sukuk Issuance Process:

All types of bonds have similar issuance processes including Islamic ones. Usually, the concerned parties participate go through the following issuance process:

- The issuer (issuer of sukuk):

the issuer is the one who uses the proceeds of subscription in a legitimate form as a price for selling a leased property, or a rent in a lease, or a cost to purchase Murabaha (Mark-up ratio) merchandise, or to manufacture the item sold artificially, or as a price for Salam merchandise, speculative capital, or a share in Participation, and the issuer of the sukuk may be a company, an individual, a government or a financial institution, and an intermediary financial institution may act on behalf of the issuer in organizing the issuance process in return for a fee or commission determined by the prospectus. (Hassan, 2010) p. 21)

- Issuing agent:

the agent is an intermediary institution usually known as a special purpose company, which undertakes the issuance process and takes all actions on behalf of the issuer, in return for an agreed fee or according to what is included in the prospectus, and the relationship between the issuer and the issuing agent is on the basis of a paid agency contract;

- Issuance manager:

is the intermediary institution that acts on behalf of the sukuk-holders' subscribers in executing the issuance contract, in return for a fee;

underwriter: is the intermediary institution that undertakes to pay the rights of the sukuk holders after their collection;

- The investment manager:

he is the one who carries out the investment business or part of it, by appointment of the issuer, as determined by the prospectus;

- Investment Trustee:

It is the intermediary financial institution that protects the interests of sukuk holders, supervises the issue manager, and maintains documents and guarantees, on the basis of an agency contract with a fee to be determined by the prospectus (Accounting and Auditing Organization for Islamic Financial Institutions, 2007) p. 325)

- Credit rating companies:

These companies classify the financial issuances offered in the capital markets in terms of determining the fair price of the issued Islamic securities and determining the risks involved.

- Shariah Supervisory Authority:

It studies the structure of the issuance and ensures its soundness from the Shariah

point of view, and sets the Shariah standards that control the process of issuing Islamic sukuk.

3.2 Steps for regulating the issuance of Islamic sukuk: The process of regulating the issuance of Islamic sukuk includes many preliminary steps; (Al-Hajji, 2005) p. 920):

- Preparing the concept and the organizational structure that represents the mechanism of investment through sukuk, studying the various legal, procedural and regulatory aspects and feasibility studies, and including all of this in the prospectus. This may coincide with the development of the system or regulations and agreements that define the rights, powers and duties of the various relevant authorities, which must be chosen well. To enhance the confidence and reassurance of the subscribers, this step is taken by the entity in charge of the process of creating the sukuk, whether it is from the financiers (some banks) or from the beneficiary of the financing (companies in need of financing). The process of regulating the issuance in return for a commission, in addition to seeking the assistance of a legitimate body to complete the legal requirements and fulfill the provisions and controls to ensure its safety from any legal defect;
- Establishing a special purpose company to represent the sukuk holders' investors in areas with tax exemption, and it has an independent personality, although it is wholly owned by the sukuk holders, in order to represent them in establishing relations with the various parties, and this company purchases the assets that will cover the issued units;
- Offering the Sukuk for subscription with the aim of raising funds with which to finance the assets represented by the Sukuk;
- Marketing the sukuk either by offering them directly to the public, or by selling the sukuk that represent the assets of the notables or the benefits as a whole to the first investor, who may be a bank or a group of banks, to market and sell them to the public;
- The issuer of the sukuk seeks to secure full coverage of the issue by a financial institution that undertakes to cover the subscription, where the issue is sold to it at a price usually less than the nominal value to make a profit, and the purchase is pledged at one of the following values: (Zaid, 2010) p. 21)
 - ✓ the market value of the sukuk assets;
 - ✓ The fair value is based on expert estimation of the value of these assets;
 - ✓ at a price agreed upon at the time of execution of the purchase and not before it;
 - ✓ at face value;
 - ✓ A price determined by the one who makes the promise.

4.The reality of the global market for Islamic Sukuk:

In recent years, Islamic sukuk witnessed a wide unprecedented growth and spread, and was able to find an important place in the global financial markets. The focus will be on the global market for Islamic sukuk from 2001 to 2020, as follows:

4.1 The development of the total issued sukuk globally

The Islamic sukuk market has developed significantly and remarkably in recent years, as Islamic sukuk managed to attract large numbers of investors from various countries of the Western and Islamic world alike. The following table shows the development of total sukuk issuance globally since 2001 to 2020, as follows:

Table 1: Evolution of the total sukuk issued globally from 2001 to 2020

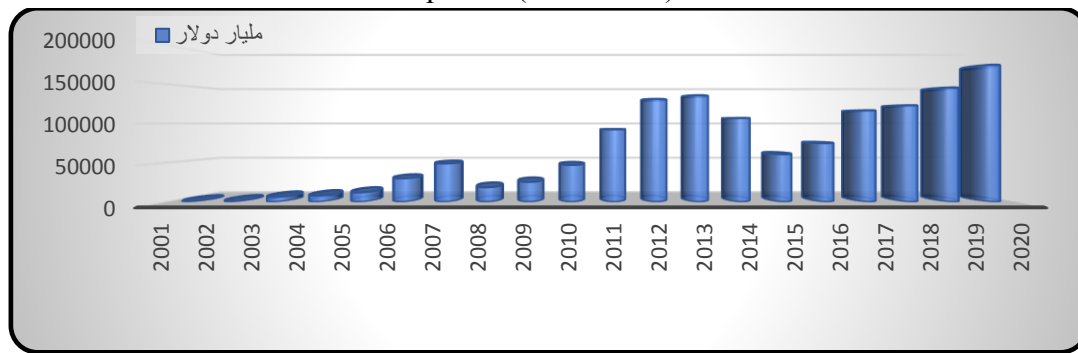
Size of issued sukuk (billion dollar)	years	Size of issued sukuk (billion dollar)	years
92.40	2011	01,17	2001
131,20	2012	01,37	2002
135,870	2013	06,41	2003
107,300	2014	08,14	2004
67,818	2015	12,18	2005
87,784	2016	29,99	2006
116,717	2017	48,92	2007
123,150	2018	18,75	2008
145,702	2019	25,57	2009
174.641	2020	47,08	2010

Source: International Islamic Financial market, "SUKUK REPORT", kingdom of Bahrain, 2021, p: 28.

From the above table, it is clear that the Islamic sukuk market has achieved rapid growth and widespread popularity since its launch in 2001. The sukuk market has developed from 0.17 billion dollars in 2001 to about 49 billion dollars by the end of 2007, and the year in which the largest local issuance was recorded is This is by 32%, while the volume of global issuance amounted to more than 13 billion dollars, or 31%, due to the excess liquidity of Islamic banks as a result of the oil boom that they experienced, especially the Gulf countries, which prompted them to search for employment opportunities that comply with the provisions of Islamic law.

It witnessed a significant and clear decline in sukuk issuances, amounting to about 63.74%, due to the repercussions of the global financial crisis, which prompted investors to avoid investing in fixed-income instruments, including Islamic sukuks due to their modernity. The volume of sukuk issuance amounted to about \$18.75 billion. so that the sukuk market rebounded and rose again, and was able to overcome the repercussions of the 2008 crisis, as the volume of global issuance of sukuks rose globally to 25.57 billion dollars in 2009.

Fig.1. Evolution of the total number of Islamic sukuk issuances globally during the period (2001-2020)



Source: International Islamic Financial market, "SUKUK REPORT", kingdom of Bahrain, 2021, p: 28.

The Islamic sukuk market continued its great growth and wide spread, as sukuk issuances amounted to 47.08 billion dollars in 2010, 92.40 billion dollars in 2011, and exceeded the threshold of 131 billion dollars in 2012. In 2013, the Islamic sukuk market was once again able to exceed the \$100 billion threshold, as the total sukuk issuance reached a record high of about \$136 billion, while it amounted to about \$107 billion in 2014, despite the fact that this recorded amount came down compared to the amount recorded in 2013, in light of the drop-in oil prices. And the increase in international interest rates, which contributed to reducing activity in the sukuk market.

The year 2015 also witnessed a significant and impressive decline in the total sukuk issued, reaching about 68 billion dollars, with a decline of about 40% compared to 2014, in light of the continued decline in oil prices. As a result of the decision of the Central Bank of Malaysia (Bank Negara Malaysia), which is considered one of the largest issuers of Islamic sukuk in the world, to stop issuing sukuk, and its intention to switch to other liquidity management tools in Malaysian Islamic banks.

In general, the global sukuk market has witnessed a remarkable recovery since 2016 until the year 2020, after three consecutive years of decline. Sukuk amounting to 145,702 billion US dollars.

4.2 Issuances of Islamic sukuk by country:

Issuance of Islamic sukuk is not limited to Islamic countries only, but there are issues from institutions and parties from different parts of the world, and this can be

Table 2: Regional Break-up of Global Sukuk Issuances (2001 –2020)

ASIA & FAR EAST	Amount USD Millions	GCC & MIDDLE EAST	Amount USD Millions	AFRICA	Amount USD Millions	Europe & OTHERS	Amount USD Millions
Bangladesh	790	Bahrain	39,396	Egypt	286	France	1
Brunei Darussalam	11,830	Jordan	483	Gambia	430	Germany	206
China	97	Kuwait	5,995	ivory Coast	460	Luxembourg	280
Hong kong	3,196	Oman	7,322	Nigeria	1,249	Kazakhstan	77
Indonesia	124,958	Qatar	35,967	Mali	285	Turkey	66,915

Japan	190	Saudi Arabia	174,611	Morocco	105	United Kingdom	1,769
Malaysia	799,945	United Arab Emirates	98,395	South Africa	500	USA	1,367
Maldives	24	Yemen	253	Senegal	445		
Pakistan	22,792			Sudan	20,545		
Singapore	1,498			Togo	245		
Sri Lanka	5						
Total	965,324	Total	362,423	Total	24,550	Total	70,615

Source: International Islamic Financial market, "SUKUK REPORT", kingdom of Bahrain, 2021, p: 80.

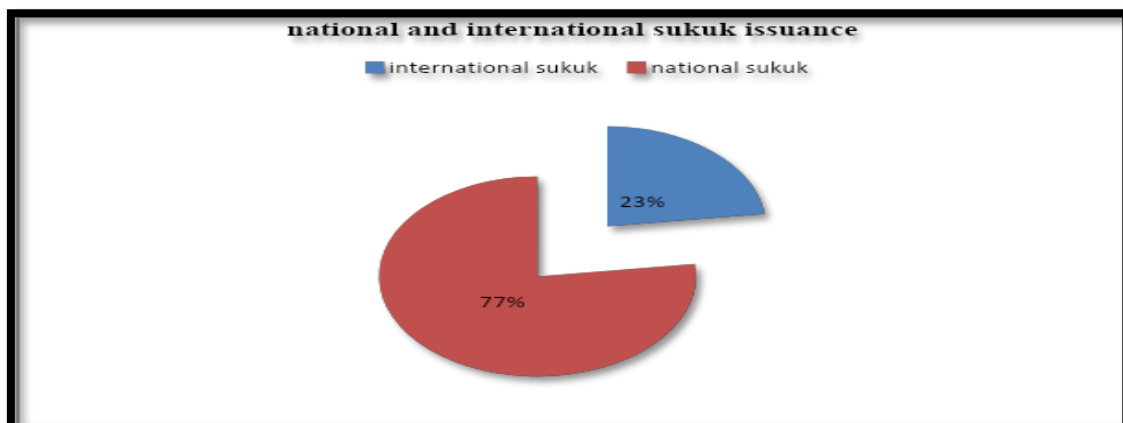
The total amount of Islamic sukuk issued globally during the period from January 2001 to December 2020 amounted to about 1,422,911 billion dollars, with the participation of about 36 countries from around the world. During this period, Asia dominated the global sukuk market and acquired about 67.84% Of the total issued sukuks globally, Malaysia tops it, which accounts for more than 56.22% of sukuk issuances in the world by market value, followed by the Gulf Cooperation Council countries with 27.25% of the total volume of sukuk issued, led by Saudi Arabia with 12.27%, the UAE with 6.92%, Bahrain and Qatar with 2.77 % and 2.53%, respectively, and this is due to the positive developments in the region's economies and capital markets.

As for the remaining percentage, it is shared by the rest of the countries from around the world that issued Islamic bonds during this period, such as: China, Nigeria, Luxembourg, the United Kingdom, Senegal, Yemen, the United States of America.

4.3 Issuances of sukuk globally by market type:

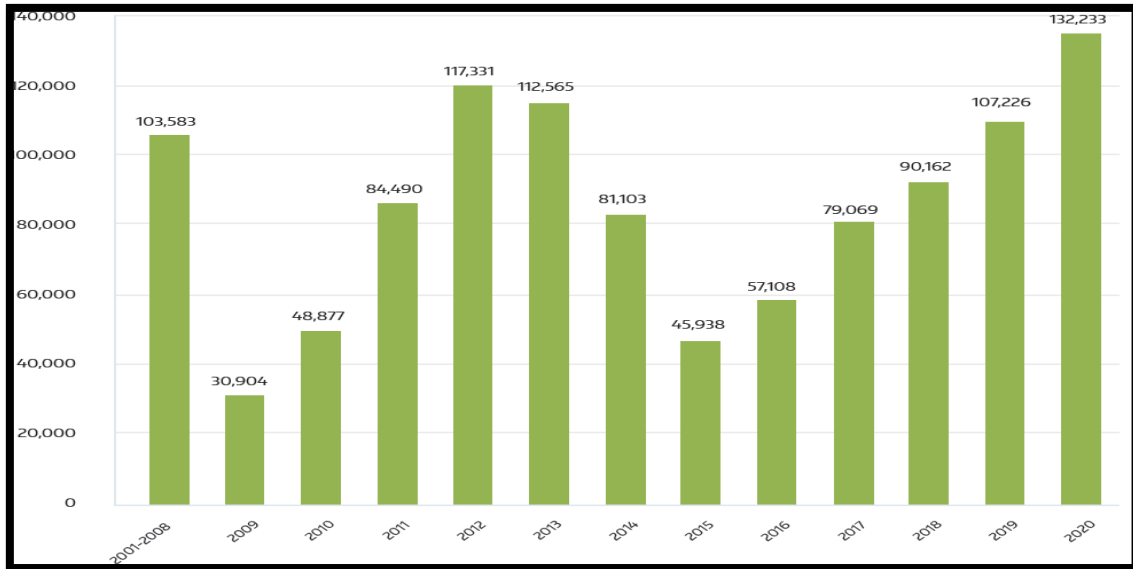
Islamic sukuk issued globally can be categorized by market type into: local sukuk that are issued in a particular country to the public of investors and local dealers in the local currency, and are usually issued to finance development projects or government projects, and international sukuk that are considered to a large degree It is of importance as a financial instrument directed to foreign dealers and investors, and the main objective of its issuance is to bring in foreign currencies. The development of sukuk issued globally can be explained by looking at the type of market to:

Fig.3. Sukuk issued globally by market type during the period (2001-2020)



From the above table, it is clear that the value of the local sukuk issued during the period (2001-2020) amounted to about \$1090.59 billion, or more than 76.64% of the total sukuk issued globally. The local market, followed by Saudi Arabia, Indonesia, Bahrain, Brunei, and Turkey, in terms of the value of sukuk issuances, Bahrain, Qatar, the United Arab Emirates, Sudan and Brunei constitute between 1% to 9% of the local market.

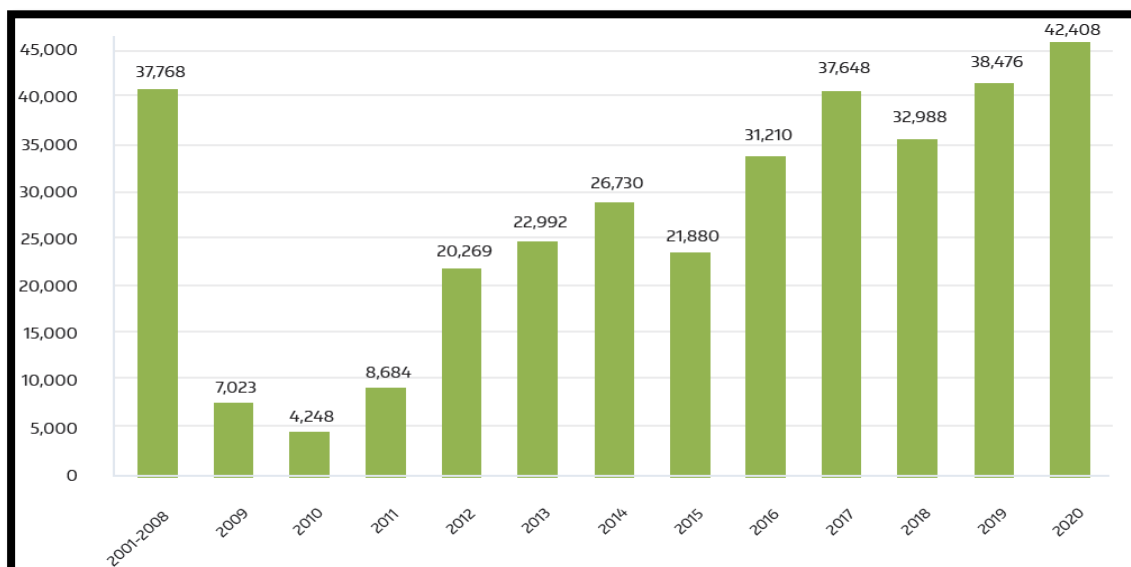
Fig.4. Total local sukuk issued from 2001 to 2020



Source: International Islamic Financial market, "SUKUK REPORT", kingdom of Bahrain, 2021, p: 35.

As for international instruments, their development can be explained as follows:

Fig.5. Total international sukuk issued from 2001 to 2020



Source: International Islamic Financial market, "SUKUK REPORT", kingdom of Bahrain, 2021, p: 33.

It is clear from the above figure that although the international sukuk issuance during the period from 2001 to 2020 amounted to about \$332,325 billion, i.e. only 23.35% of the total sukuk issuance globally, it is considered the main driver of the sukuk market, especially and that it will be for a longer period of up to 30 years.

During this period, the United Arab Emirates dominated the international sukuk market with 27.01% of the total international sukuk issued, with about 138 issues, valued at \$89,764 billion, followed by Malaysia with 25.77%, while the Kingdom's share amounted to Saudi Arabia 19.67%, Indonesia 6.38%, Qatar 4.87%, Bahrain 4.69% and Turkey 5.09%. The Kingdom of Saudi Arabia, Qatar, the United Arab Emirates, Qatar and Bahrain each controlled about 61.11% of the total international sukuk issuances since 2001.

5. The importance and challenges of issuing and developing Islamic sukuk:

It is well known that Islamic sukuk is one of the most important financial tools that has witnessed an undeniable widespread and wide popularity in various countries of the world. On this basis, it has gained great importance and attracted many investors due to its great importance, and many roles and advantages that distinguish it from other financial instruments. However, it faces many difficulties which threaten its growth and development.

5.1 The importance and role of Islamic sukuk:

The importance of Islamic sukuk lies in the great attention it has received from many parties, because of its advantageous nature for individuals, institutions or governments, and this is represented as follows: (Al-Hajji W. K.-S., 2005)p. 927)

- Islamic sukuk helps individuals to save, accumulate and value their small savings, as it is a good channel for investors who want to invest their surplus money, and at the same time, easily recover it when they need it through the secondary market.
- Islamic sukuk offers a good method for managing liquidity through which Islamic banks and institutions can manage their liquidity. They buy sukuk if they have excess liquidity, and sell them in the secondary market if they need liquidity.
- Fulfilling the legitimate needs of the financing required for joint stock companies, in a way that attracts many segments of society to legitimate participation that has always been isolated from development for fear of falling into taboos.
- Expanding the variety of Islamic financial instruments in the market, to include corporate sukuk, Islamic bank sukuk, and government sukuk, which leads to the revitalization of financial markets and increase their efficiency with an increase in the quantity and quality of Islamic sukuk due to the consequent deepening and widening of the market, thus creating the environment for the establishment of an Islamic financial market.
- Islamic sukuk is considered one of the best compatible methods and provisions of Sharia that have emerged as an alternative to traditional bonds, with regard to financing large and huge projects that are unable to be implemented or applied by a

single party.

- Islamic sukuk is considered one of the effective tools for dealing with the public budget deficit, as it can be considered a legitimate and successful alternative in financing the public budget deficit in many Islamic countries that resort to usurious borrowing, and the resulting accumulation of debts on them

5.2 Challenges of Issuing Islamic Sukuk:

The most notable challenges and obstacles to the development of the Islamic Sukuk industry are:

-Shariah challenges: The most important Shariah challenges lie on the extent to which the issued Islamic instruments are compatible with Islamic Shariah on the one hand, and with the legitimate purposes and priorities in the production of necessary goods and services, and the balance between achieving efficiency in the exploitation of economic resources and expected returns and distributing them among the various economic sectors on the other hand.

The issuing mechanism of Islamic sukuk and application procedures should not violate the Shariah conditions and controls. The holder of the sukuk bears all the burdens and consequences arising from his ownership of the assets subject to the sukuk, and the proceeds of issuing Islamic sukuk are allocated to investment in projects that comply with the provisions of Islamic Shariah, not to mention that they are initially based on legitimate contracts. According to Islamic finance formulas with controls regulating the process of issuance and circulation, therefore, its violation of the provisions of Islamic Shariah in any period of the life of the instrument will harm the audience of dealers, and the severity of these damages varies and varies between corruption in some conditions and mechanisms of issuance and activation of the instrument to its total invalidity. (Hegazy, 2014), p. 09)

-Legal and Regulatory Challenges:

The lack of a legislative and regulatory framework that regulates the mechanism and procedures for issuing and circulating Islamic sukuk is considered as one of the most important challenges facing the Islamic sukuk industry and impeding its growth and development, and uniting it, especially in light of the legal differences between jurists about the legitimacy of some Islamic sukuk.

These risks and challenges may arise due to the existence of man-made commercial laws that may conflict with the provisions of Islamic Shariah.

The lack of the legislative and legal framework that regulates the process of issuing Islamic sukuk contributes to the reluctance of various issuers to issue Islamic sukuk due to the absence of legal controls for this process on the one hand, and contributes to the reluctance and reluctance of investors to invest and deal in Islamic sukuk on the other hand, given the importance of the legislative framework in Regulating the relationship between the issuers, the public of investors and all parties concerned with the process of issuing Islamic sukuk.

- Credit rating and supervision of international financial institutions:

They are “companies that operate in accordance with a special code of conduct

and oversight, and issue a rating (a literal measure of creditworthiness), expressing its opinion on the solvency of companies, their issuance of securities and their ability to pay their financial obligations. on the due dates. (Bouresli) p. 01).

The issuance of Islamic sukuk also requires a credit rating by well-known international credit rating agencies like other securities, both conventional and Islamic, not to mention seeking the advice of international financial institutions, especially the International Monetary Fund, which requires significant costs for Islamic sukuk holders and reduces their risk and their expected returns.

-Lack of qualified human resources in the field of Islamic sukuk:

The success of any institution depends on the availability of efficient human resources that manage its affairs. Nonetheless, the majority of Islamic finance institutions lack qualified and trained administrative resources in the field of Islamic banking and finance that they require which needs banking and financial expertise, Shariah knowledge and professional competence. (Al-Khudairi, 1990), p.301).

Therefore, the lack of administrative efficiency and the lack of qualified and trained human resources in the field of dealing with Islamic financial instruments capable of carrying out the tasks of managing Islamic sukuk, constitutes a threat in terms of operational risks, and hinders the possibility of growth and development of trading in Islamic sukuk.

- Challenges related to simulation:

The method of designing and marketing Islamic sukuk in its current form prevents the achievement of its expected goals. The target audience of sukuk is mostly the same as the audience of traditional bonds, which led to the sukuk becoming more like a modified version of these bonds, both in terms of Return (linked to the LIBOR index), or in terms of risk (credit risk independent of economic performance), or in terms of the offering and marketing system (through brokers and not public offerings to the public).

6. CONCLUSION

The global financial crisis in 2008 has caused the Islamic sukuk market to grow rapidly and expand globally. Nonetheless, despite its promising launch it still faces many difficulties and obstacles that affect its growth, in addition to the many challenges that threaten its continued development, especially the legal and regulatory challenges and the lack of qualified human assets. Therefore, the following must be done:

- The necessity of having an appropriate legislative framework that would regulate the work of Islamic sukuk, in addition to enacting the necessary laws that would reduce buying and selling transaction taxes for the purpose of activating secondary markets for Islamic sukuk;
- The process of issuing Islamic sukuk should be subject to many conditions, legal rules and Shariah controls that regulate the issuance and circulation of Islamic sukuk, in order to ensure that they are free from any legitimate defect and to ensure the safety of dealing with them in the financial markets.
- Granting all the necessary powers to the Fatwa and Shariah Supervisory Boards

to increase their effectiveness and carry out their duties to the fullest and with complete impartiality, in everything related to the issuance, extinguishment and circulation of Islamic Sukuk;

- The necessity of preparing research and studies and holding conferences and seminars on contemporary issues of Islamic sukuk.

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