

Malaysia

Kadir Andri & Partners

A new sustainable sukuk

The guidelines on *sukuk* and private debt securities in Malaysia were recently revised and took effect on August 28 2014. One of the revisions made was on the tradability and transferability of unrated *sukuk* and private debt securities. Effective from January 1 2015, unrated *sukuk* and unrated private debt securities may be traded and transferred provided that: (i) they have been in the market for at least two years; (ii) they are offered only to sophisticated investors; and (iii) the requirements for revision of principal terms

and conditions as specified under the guidelines on *sukuk* or private debt securities have been complied with.

Alternatively, for rated *sukuk* and rated private debt securities, the issuer may discontinue the credit rating of the *sukuk* or the private debt securities and maintain their

tradability and transferability provided that: (i) they have been in the market for at least two years; (ii) they are offered only to sophisticated investors; (iii) the requirements for revision of principal terms and conditions as specified under the guidelines on *sukuk* or private debt securities have been complied with; and (iv) at least one annual rating review has been completed after January 1 2015.

The above revision is in line with the removal of mandatory credit ratings, as part of liberalisation measures to promote investment and strengthen the economy, as announced in June 2014.

The other revision to the guidelines on *sukuk* was the introduction of sustainable and responsible investment (SRI) *sukuk* which include utilisation of proceeds, eligible SRI projects, disclosure requirements, appointment of independent party and reporting requirements. It was quoted that the introduction of SRI *sukuk* is part of the Securities Commission's developmental agenda to facilitate the creation of an ecosystem conducive for SRI

investors and issuers. It is also in line with the rising trend of green bonds and social impact bonds, which have been introduced globally to facilitate and promote sustainable and responsible investing.

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