Emirates Islamic's syndicated financing: A landmark facility

The UAE's Emirates Islamic (EI) concluded its debut syndicated Islamic financing term facility in March 2024 – a first-of-its-kind raised by a UAE Shariah compliant financial institution. NESSREEN TAMANO has the exclusive.

The landmark three-year Islamic term financing worth US$500 million was structured as a commodity Murabahah facility in accordance with the AAOIFI Shariah standards, with Emirates NBD Bank, a leading banking group in the MENAT (Middle East, North Africa and Turkiye) region, acting as the Murabahah investment agent.

Proceeds from this facility were allocated toward Shariah compliant general corporate purposes, with EI's treasury utilizing the funds in line with EI's asset and liability management requirements.

"EI was exploring asset-light structures for this financing and considering that it was going to be an Islamic syndicated facility, a suitable structure acceptable to international and regional banks was required," EI told IFN. With this consideration, the commodity Murabahah structure was decided upon, with relevant modifications adopted to comply with the AAOIFI Shariah Standard 59.

"We understand that UAE Islamic banks have not raised financing in the syndication market using the structure in compliance with the AAOIFI Shariah Standard 59. They generally issue Sukuk as a funding instrument in the public markets and execute Islamic repo and the Wakalah structure in the interbank market."

Emirates NBD Capital, HSBC Bank Middle East and Standard Chartered Bank, acting through its Dubai International Financial Centre Branch, were the global coordinators, mandated lead arrangers and bookrunners for this landmark transaction.

Executing this facility posed several challenges including competitive pricing and stringent timelines. EI collaborated closely with global coordinators, adhering to a detailed timeline with milestones to manage the execution process. The unique nature of the Islamic structure also necessitated extended discussions with the participant banks to ensure their alignment and commitment within the required timelines.

Strategic timing

The decision to raise funds through the facility in March 2024 was driven by EI's funding requirements, given its growth targets and increasing deal flow. EI added that it was looking to diversify its wholesale sources of funding and accordingly executed the debut syndicated Islamic facility.

The deal is expected to bolster EI's market position within the UAE and the broader region as well as its reputation as an innovative Islamic bank.

The facility also supports the goals of the UAE's Vision 2030 of sustainable economic growth, innovation and positioning the country as a global hub for Islamic finance.

"Given the scarcity of quality Shariah compliant funding deployment opportunities in the region, the deal provided an opportunity to deploy liquidity in a quality, Shariah compliant asset. The deal was well-received in the market, which saw participation from six banks and was largely driven by a mix of regional and international banks," EI noted.

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US$500 million

الإمارات الإسلامي
EMIRATES ISLAMIC

March 2024

Type of facility	Syndicated Islamic term facility
Structure	Commodity Murabahah (AAOIFI Shariah Compliant)
Tenor	Three years
Currency	US dollar
Global coordinators, mandated lead arrangers and bookrunners	Emirates NBD Capital; HSBC Bank Middle East; Standard Chartered Bank (acting through its Dubai International Financial Centre Branch)
Lead arrangers	The Bank of New York Mellon; Citibank, London Branch
Arrangers	Societe Generale; Saudi National Bank
Murabahah investment agent	Emirates NBD Bank
Obligor's legal counsel	Linklaters
Financiers' legal counsel	Allen & Overy
Governing law	English Law