

APICORP's Sukuk: The bank's sophomore public US dollar issuance

In the midst of uncertainties over fluctuating oil prices and the economies that depend on it, last month saw Arab Petroleum Investments Corporation (APICORP), a multilateral development bank established to boost the development of the Gulf region's oil and gas industries, floating US\$500 million-worth of Sukuk. Speaking to Ahsan Ali, the managing director and head of Islamic origination in Standard Chartered Bank (Billing & Delivery) (B&D), DURGAHYENI MOHGANA SELVAM has the exclusive.

The five-year paper is structured along the lines of the Wakalah principle. Interestingly, unlike previous issuances that based their Sukuk on the familiarity of the structure, APICORP's paper was based on the flexibility of the structure to accommodate the issuance.

"The Wakalah structure allows APICORP to utilize its diversified pool of Islamic assets for Sukuk-structuring purposes. As a result, it provides greater flexibility to APICORP to access the Sukuk market in the future, utilizing its growing Shariah compliant asset base," Ahsan told IFN.

Several milestones were achieved through the issuance. It was the largest orderbook size ever achieved by APICORP, priced flat to its existing curve with no new issue premium. The facility, APICORP's second public US dollar paper, is the third consecutive Sukuk arranged by Standard Chartered Bank for APICORP.

The transaction was extremely well received by the market, with the orderbook covered within 30 minutes after the release of initial price thoughts. This led to the revision of the pricing spread from initial price thoughts in the five-year midswaps +125bps area to guidance of +110bps (+/-5bps), to a further revised final spread of midswaps +100bps.

The final pricing, announced in an hour of releasing guidance and three hours of opening the orderbook, enabled APICORP to achieve all its intended objectives of pricing without paying any new issue premium.

An orderbook with an oversubscription of approximately seven times was recorded, with an extensive investor base from the Middle East, Europe and Asia. "Participation from investors out of Europe and Asia at 34% and 24% respectively set a new benchmark for APICORP, given Middle Eastern demand dominated APICORP's inaugural issuance," Ahsan expounded.

“ Participation from investors out of Europe and Asia set a new benchmark for APICORP ”

The multilateral bank's foray into the US dollar-denominated Islamic capital market was in 2015. In 2016, APICORP privately placed SAR250 million (US\$66.61 million)-worth of Sukuk. The latest issuance is the third paper to be issued under APICORP's US\$3 billion Sukuk program. With a total of nine issuances since January 2012, the multilateral bank has printed several bilateral and club financings in the Islamic format via both the Saudi riyal and US dollar for a total of US\$3.2 billion.⁽²⁾

Underlying assets	Shariah compliant financial contracts
Issue rating	'Aa3' by Moody's Investors Service
Shariah advisor(s)	Shariah Supervisory Committee of Standard Chartered Bank
Structure	Wakalah
Tradability	Tradable
Investor breakdown	By geography: Middle East - 41%, Europe - 34%, Asia - 24% and US offshore - 1%
Face value/ minimum investment	US\$1,000 with a minimum investment amount of \$200,000

APICORP Sukuk

US\$500 million



25th October 2017

Issuer	APICORP Sukuk
Obligor	Arab Petroleum Investments Corporation
Size of issue	US\$500 million
Mode of issue	Regulation S
Purpose	General corporate purposes
Tenor	Five years
Issuance price	100%
Profit rate	3.14%
Payment	Payable semi-annually
Currency	US dollar
Maturity date	1 st November 2022
Joint lead managers	Bank ABC, Credit Agricole, Corporate and Investment Bank, Emirates NBD Capital, First Abu Dhabi Bank, HSBC, KFH Capital and Standard Chartered Bank (B&D)
Co-managers	Union National Bank and Bank Islam Brunei Darussalam
Governing law	English law
Legal advisor(s)/	Arranger and dealer: Clifford Chance Obligor: Allen & Overy
Listing	Irish Stock Exchange and NASDAQ Dubai