

Issuing Sukuk (Islamic Securities) on the AIFC Exchange

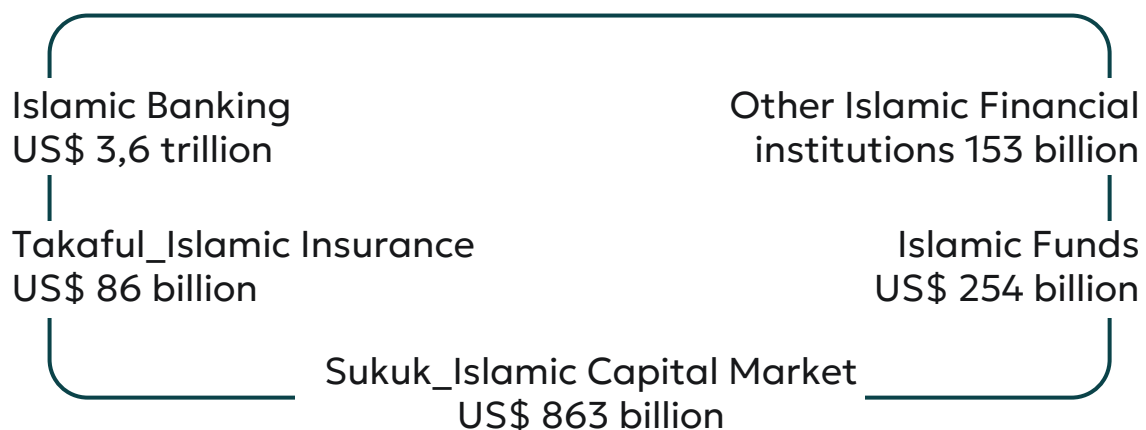


Islamic Finance Worldwide

Islamic finance is a financial system that operates in accordance with Shariah principles. Like conventional financial systems, Islamic finance includes banks, capital markets, funds, investment firms, and insurance companies. However, these institutions are governed both by Islamic law and by the financial industry regulations that apply to their conventional counterparts.

Islam does not prohibit economic activity; rather, it guides it towards responsible investments that benefit people, protect the environment, and support society.

Islamic Financial Assets US\$ 4,9 trillion



Shariah Supervisory Board

- The key difference between Islamic Financial products and conventional ones is their compliance with Shariah principles
- For financial institutions to offer Islamic financial products, they must align them with Shariah requirements
- The Shariah Board is an authorised body within a financial institution that ensures the company's operations are conducted in accordance with Shariah
- The Shariah Board assists in developing financial products that comply with Islamic principles

Islamic Finance in the AIFC

In 2015, the Constitutional Law of the Republic of Kazakhstan «On the Astana International Financial Centre (AIFC)» was adopted, according to which Islamic finance has been defined as one of the key areas of the AIFC's strategic development.



Development of
legislation on Islamic
Finance



Advising Islamic
financial and non-
financial institutions
on licensing matters



Advising potential
issuers of Islamic
securities (Sukuk)



Raising public
awareness of Islamic
finance



Organising training
and international
certification in
Islamic Finance



Collaboration with
international Islamic
financial institutions



Sukuk

- Sukuk — is the plural of the Arabic word «Sakk», which can mean a financial instrument, legal document, or cheque. In this sector, Sukuk are sometimes referred to as Islamic bonds.
- Certificates of equal value representing undivided shares in ownership of tangible assets, usufructs, and services, or (in ownership) of the assets of particular projects, or special investment activities (AAOIFI)
- Sukuk are financial instruments issued by sovereign, quasi-sovereign, or corporate entities to raise capital, with each sukuk certificate representing ownership in the underlying assets of the sukuk structure. These assets may include tangible assets (e.g., ownership of property or infrastructure projects) or intangible assets (e.g., usufruct rights)





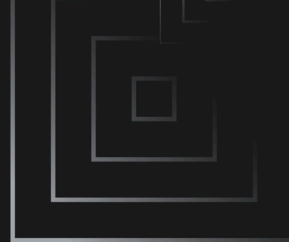
Sukuk issuance on the AIX

Currency – any convertible currency

Minimum amount for Sukuk issuance– **US \$500 000**

The profit rate on Sukuk depends on the amount, currency, and demand from investors

The AIFC provides support for Sukuk issuance on the AIFC Exchange, including: structuring, obtaining a Shariah opinion, and liaising with the exchange



Listing on AIX: Requirements and Documentation

1. Key Requirements for the issuer:

- **Audited financial statements for the past two years**
- **Audit in accordance with International Financial Reporting Standards** conducted by an audit firm from the approved list: Big Four, RSM, BDO, Grant Thornton, Crowe, Moore Stephens, Almir Consulting, or CenterAuditKazakhstan. Audit firms accredited by the Astana International Financial Centre (AIFC)
Confirmation letter of compliance with AIX requirements
- **Compliance with Corporate Governance requirements:**
Board of Directors, committees under the Board of Directors
Presence of an Independent Director on the Board of Directors (NED)
- **Disclosure of information** in the Equity Securities

2. List of required documents:

A. Applications:

- Listing and Trading Admission Application
- Pre-listing/Listing Agreement

B. Powers of attorney and authorities:

- Powers of attorney
- Confirmation of appointment/consent of the process agent

C. Ownership structure and management:

- Ownership structure with identification of beneficial owners
- Due diligence of directors, owners, and management
- Identity documents
- Diplomas/information on education and qualifications

D. Constitutional documents and corporate governance:

- Constitutional documents
- Governance policy
- Audited financial statements

E. Offering terms/Issue details:

- Prospectus/Terms and conditions of the issue
- Approval of the instrument offering by the issuers authorised body



Shariah Supervisory Board for the issuance of Islamic securities

To issue Islamic securities on the AIFC platform, the issuer is required to prepare a prospectus that includes:

- Detailed information (including experience and qualifications) about the Shariah Board and its members
- A Shariah compliance opinion (fatwa) confirming that the securities fully comply with Shariah principles

Listing process

1

Initial working meeting with AIX representatives/discussion of the upcoming transaction

2

Preparation of the document package for KYC; Obtaining the Shariah compliance opinion

3

Signing of the Pre-listing Agreement; Making the advance payment

4

Launch of the KYC process; submission of documents online via the [AIX Online platform](#);

5

Addressing comments and finalising the Prospectus;

6

Signing of the Placement Agreement/Bookbuilding/Book closure

7

Issuance of the KYC completion Certificate for obtaining the ISIN

8

Opening an account with the AIX Registrar

9

Signing of the Listing Agreement with AIX and payment of AIX fees

10

Admission to listing and trading



Ongoing obligations of a public company on AIX after listing



Key requirements:

Regular disclosure of financial and material information

Compliance with corporate governance principles

Ongoing compliance with the listing admission conditions



Legal framework:

[AIX Business Rules](#)

[AIFC Market Rules](#)

[Guidance on Ongoing Obligations of Companies](#)



Responsibility:

The information must be complete, accurate, and not misleading

The company and its authorised representatives bear responsibility

[AIX guidance on Fines and Enforcement Measures](#) outlines the consequences of violations

Key features of debt instruments

Characteristic	Private placement/Ex empt bond	Hybrid issuance/Wholesale bond	Public offering/Public bond	Commercial papers/Commercial papers
Investor	Accredited	Accredited	Without restrictions	Accredited
Minimum transaction size	Not less than \$100.000 per investor	Not less than \$100.000 per investor	Without restrictions	Without restrictions
Nominal value	Without restrictions	Not less than \$100.000	Without restrictions	Without restrictions
Marketing	Prohibited	Without restrictions	Without restrictions	Without restrictions
Place of settlement	AIX Registrar/AIX CSD	AIX CSD	AIX CSD	AIX CSD
Prospectus	Terms and Conditions (according to the template)	Simplified prospectus (according to the template)	Full prospectus	Terms and Conditions (according to the template)
Listing timeline	Approximately 4 weeks	4-8 weeks	4-8 weeks	4-8 weeks
Periodic disclosure after listing	Audited financial statements	Audited financial statements	Annual report	Audited financial statements
Credit rating	Not required	Not required	Not required	Required
Term to maturity of the issue	No limited	No limited	No limited	Up to one year



Issuance of Sukuk on AIX

- Sukuk are financial instruments issued to raise funds based on the underlying assets of the Sukuk structure, which may be tangible.
- Sukuk is a certificate of participation rather than a debt instrument
- The concept of transparency/clarity and compliance with Shariah principles



Review timeline:

Program – up to 8 weeks

Tranche – up to 3 business days



Fees:

Initial- 22 000 USD

Annual – 11 000 USD

Tranche – 5 500 USD



SME Sukuk on AIX

Purpose of developing SME Sukuk on AIX?

- Raising capital for small and medium-sized businesses (SME)
- Simplified listing and documentation procedures
- Reduced listing fees to minimise issuer's costs

To issue Sukuk, a company must satisfy the following requirements:

- Financial statements for one year prepared in accordance with IFRS and audited by an audit firm acceptable to AIX
- A minimum of 2 years since the company's registration
- Compliance with the criteria for SME set out in 24 of the Entrepreneurial Code of the Republic of Kazakhstan
- Sectors – any sector
- Disclosure obligations: According to AIX Business Rules applied as for Exempt Securities Issuers

Key terms:

Issue size: From USD 500 000 to USD 5 000 000 equivalent in KZT
Issue currency: Any currency supported by AIX/AIX CSD

Maturity period: Not more than 37 months

- Standalone issue or Programme
- Sukuk must be guaranteed by individuals or entities holding more than 50% of the issuer's shares

Fees: USD 11 000 per issuance; no initial or annual fees

Listing features: Documents and applications are prepared using AIX Exchange templates

Review timeline: up to 4 business weeks

Subsidisation of SME Islamic securities issuers by DAMU



Taxation

Constitutional Law «On the AIFC»
online.zakon.kz

Article 6. Tax Regime in the Territory of the Centre

“...

7. Individuals and legal entities shall be exempt from the payment of personal and corporate income taxes until 1 January 2066 on income derived from:

1. capital gains from the sale of securities that are included in the official list of a stock exchange as of the date of their sale;

...

2. dividends and returns (interest) on securities that are included in the official list of a stock exchange as of the date such dividends or returns are accrued;”

Useful Links

Link to the Sukuk Guidelines:
[Link](#)

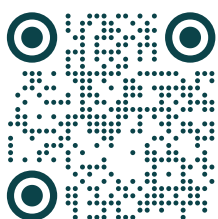
Link to the list of issuer companies on the AIFC exchange:
[Link](#)

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Important!

Please note that this guide is intended solely to provide basic information and assist in navigating the key requirements and legislation governing the activities of Islamic financial institutions within the AIFC.

This material does not constitute legal advice.