


# Using Foreign Experience for the Issuance of Syndicated Sukuk in Russia


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**Keywords:** partner financing; Islamic financing; Islamic banking; sukuk, syndicated financing, syndicated sukuk.

**Abstract:** Relevance. The relevance of the study is determined by the introduction of the federal law on partnership (Islamic) financing in Russia, which opens up opportunities for Russian organizations to implement Islamic financing instruments in their practice, and syndicated sukuk are the most interesting instrument for financing large projects. Purpose. The object of the article is syndicated sukuk, and the subject of the study is foreign experience in issuing syndicated sukuk by Islamic financial organizations. The purpose of the study is to identify the possibilities of using foreign experience in issuing syndicated sukuk for Russian partnership financing organizations. Methods. Using such general economic methods as comparison, contrast, analysis and synthesis, as well as logical and systemic approaches, the authors studied the most successful issues of syndicated sukuk by Western and Eastern countries. Results. Based on the results of the study, steps were proposed that Russia needs to take to create conditions for the introduction of syndicated sukuk into the practice of Russian partnership financing organizations. Among these steps, the most significant are the following: adaptation of legislation, creation of infrastructure for Islamic finance, education and training of personnel, formation of international cooperation, work with potential investors, creation of Sharia supervision, launch of pilot projects. Scientific novelty. The scientific novelty of the study lies in substantiating the possibility of using foreign experience of issuing syndicated sukuk in the identified areas by Russian partner financing organizations, which will allow Russian partner financing organizations to attract investments from the eastern countries of the Arab world.

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## 1 INTRODUCTION

The adoption in Russia of the federal law on partnership financing "On conducting an experiment to establish special regulation in order to create the necessary conditions for implementing partnership financing activities in certain constituent entities of the Russian Federation and on amending certain legislative acts of the Russian Federation" dated 04.08.2023 N 417-FZ opens up unique opportunities for Russian partnership (Islamic) financing organizations to implement Islamic financing instruments, namely: sukuk, ijara, murabaha, mudaraba, musharaka, istisna and others. Among all the existing Islamic financing instruments, from the point of view of investment opportunities, sukuk seems to us to be the most interesting, since, being a security, it allows attracting funds from a large number of potential investors, and from the point of view of the scale of investment projects, syndicated financing, since it allows combining funds from several financial organizations. Thus, the object of the study was determined - syndicated sukuk, which is a financial instrument that complies with the principles of Sharia, issued by a group of banks or financial institutions (syndicate) to raise funds for the implementation of a large project or for general corporate financing. A distinctive feature of syndicated sukuk is the distribution of risks and obligations between the participants of the syndicate, which reduces the financial burden on each participant and ensures more efficient use of resources. In world practice, there is quite a lot of experience in using syndicated sukuk to finance large projects. Thus, a study of the world experience of issuing syndicated sukuk will help Russian partner financing organizations to correctly adopt their experience.

## 2 LITERATURE REVIEW

The development of scientific thought in the field of sukuk is associated with the works of famous scientists studying Islamic finance as a separate economic phenomenon. First of all, it is necessary to highlight the works of Yusuf al-Qaradawi (1973) and Usmani (2007). They rely on classical texts of Islamic law and strictly follow the letter of the law, believing that sukuk should fully comply with the canons of Sharia, excluding any questionable elements such as fictitious transactions or hidden

interest. True sukuk should be based exclusively on real assets and economic transactions.

Also of great importance for the development of scientific thought in the field of sukuk are the works of such scientists as El-Gamal (2000) and Rahman (2017). They seek to adapt traditional Islamic financial instruments to modern conditions and allow for some flexibility in interpreting Shariah rules in order to make sukuk more competitive in global financial markets, and often use complex legal structures to circumvent the limitations imposed by traditional norms.

In addition, it is important to highlight the works of Zubair Idris (2019) and Rifat Ahmed Abdel Karim (2023, 2023), who emphasize that sukuk issues should contribute to the development of the real sector of the economy, ensuring the inflow of investments into production and infrastructure projects. They emphasize the importance of creating effective market mechanisms for raising capital.

It is important to note the works of authors such as Ahmed (2015, 2019) and Mohamed (2012), who focus on the legal aspects of the design and regulation of sukuk issues. They are engaged in the development of standards and procedures to ensure that sukuk comply with Shariah norms and national legislation. The works of the authors Kamali (2007, 2011) and Salah (2010) pay special attention to the moral and ethical aspects of the issuance of sukuk. They argue that Islamic financial instruments should serve not only economic goals, but also promote social justice, environmental protection and maintaining high moral standards.

The studies of Ahmad (2012) and Hasan (2019) are devoted to a comparative analysis of various approaches to the development and regulation of the issuance of sukuk in different jurisdictions. They examine the experience of various countries, identify best practices and offer recommendations for the harmonization of national standards and international norms.

Particularly noteworthy is the group of Russian researchers in the field of partnership financing, who, despite language and cultural difficulties, the initial stage of the emergence of partnership financing in Russia, still publish on this topic. These are researchers such as: Kharisova F.I. (2023), Derzaeva G.G. (2018), Aletkin P.A. (2023), Yartseva N.M., Sander A.A. (2024), Sabitova D.R., Voskoboinik Yu.V., Imamkulieva E.E. (2024), Bekkin R.I. (2014), Novikova I.V. (2020).

Thus, based on the results of the study of scientific literature devoted to sukuk, we propose a

periodization of the development of scientific thought in this area:

1. Traditionalist school. Based on the classical works of Islamic scholars such as Ibn Taymiyyah and Ibn Khayyim, who lived in the 13th-14th centuries.

2. Legal school. The beginning of its formation is associated with the development of Islamic law (fiqh) in the Middle Ages.

3. Economic school. Appeared in the 20th century with the growing interest in the economic analysis of Islamic financial instruments.

4. Modernist school. Arose at the end of the 20th century in response to the need to adapt Islamic finance to modern market conditions.

5. Ethical school. It began to develop in the late 20th – early 21st centuries, when issues of social responsibility and sustainable development became relevant in the Islamic world.

6. School of comparative law. The formation of this school is associated with globalization and the need to compare different legal systems.

Thus, the works of the above-mentioned authors have made a huge contribution to the development of the theory and practice of issuing sukuk, offering unique approaches to solving complex problems facing Islamic financial organizations. Interaction and exchange of ideas between various scientific fields contributes to the further success of sukuk issues in world markets.

### 3 METHODOLOGY

The emergence of partnership (Islamic) financing organizations in Russia, the rich global experience of issuing sukuk and the study of the above literature on sukuk lead us to the hypothesis that Russian partnership (Islamic) financing organizations need to use the global experience of issuing sukuk to attract investments from Arab countries. Thus, this study aims to identify the possibilities of using foreign experience in issuing syndicated sukuk for Russian partnership (Islamic) financing organizations.

To achieve this goal, we will identify and solve the following tasks:

1. To comprehensively study the practices of issuing syndicated sukuk by eastern and western countries.

2. To study the AAOIFI governance standards (GS) No. 12 "Sukuk Governance" and the AAOIFI governance standard (GS) No. 15 "Syndicated Financing", dedicated to sukuk and syndicated financing, respectively. AAOIFI (Accounting and

Auditing Organization for Islamic Financial Institutions - an international organization that publishes standards of governance, ethics, accounting, reporting and auditing according to the principles and rules of Sharia.

3. To identify the possibilities of using foreign experience in issuing syndicated sukuk for Russian organizations of partnership (Islamic) financing.

To solve the tasks, we use the following methods.

- the method of analyzing scientific literature to study the current state of the scientific problem of the study;

- methods of comparison, analogy and evaluation for a comprehensive study of the practice of issuing syndicated sukuk by eastern and western countries;

- methods of analysis and synthesis for the study of AAOIFI management standards (GS) No. 12 "Sukuk Management" and (GS) No. 15 "Syndicated Financing";

- methods of logic to identify the possibility of using foreign experience in issuing syndicated sukuk for Russian organizations of partnership (Islamic) financing.

As a practical basis for the study, we will select 5 issues of syndicated sukuk by eastern countries and 5 issues of syndicated sukuk by Western countries. The research base is presented in Table 1.

Table 1: Practical basis of the research.

Name	Year	Volume, million \$	Purpose	Features
Sukuk Emirates Global Aluminium (EGA)	2017	600	Financing the expansion of production capacity of EGA, one of the largest aluminum producers in the world	The Sukuk was issued in the form of Murabaha
Sukuk Saudi Electricity Company (SEC)	2020	2 000	Financing the development of Saudi Arabia's energy infrastructure	This sukuk was structured as Ijarah
Sukuk Dubai Islamic Bank (DIB)	2019	750	Refinancing of existing bank liabilities	The Sukuk was structured in the form of Mudaraba
Sukuk Petronas	2016	1 250	Financing various energy projects of Petronas	The sukuk issue was structured as a Wakala
Sukuk Qatar National Bank (QNB)	2018	500	General corporate financing	Sukuk were issued in the form of Musharaka
Saxony-Anhalt Sukuk	2004	100	Raising capital for the state needs of	It was the first sukuk issued in

(Germany)			the federal state of Saxony-Anhalt	Europe. It was structured as an Ijarah (lease) and was used to finance the construction of schools and hospitals.
International Finance Facility for Immunisation (IFFIm) Sukuk	2014	500	Financing childhood vaccination programs in developing countries	The sukuk was issued by IFFIm, an international organization created by the World Bank Group and other international organizations..
UK Treasury Sukuk	2014	200	Demonstrating UK's readiness to deal with Islamic finance instruments	The UK became the first G7 member state to issue a sukuk, structured as Sukuk al-Ijara
Luxembourg Sukuk	2014	200	Enhancing Luxembourg's Attractiveness as a Financial Centre for Islamic Finance	Luxembourg became the first country in Western Europe after Germany to issue a sukuk. This instrument was also structured as an Ijara
BMW Group Sukuk	2014	750	General corporate financing	BMW Group issued this sukuk to diversify its funding sources and attract investors from countries with a strong Islamic finance culture.

Source: compiled by the authors.

These examples demonstrate the interest of Eastern and Western countries and companies in using Islamic financial instruments, including sukuk, to raise capital and expand their presence in international markets.

#### 4 RESEARCH RESULTS

Based on the results of studying the practice of issuing syndicated sukuk in Eastern and Western countries, we can identify the stages of issuing syndicated sukuk, starting with preparation and ending with the placement of securities among investors. Let's consider the methodology in more detail.

1. Identification of the need. Determining the purpose of financing and assessing compliance with Shariah standards.

2. Selecting a sukuk structure. There are several types of sukuk, each with its own characteristics. The choice of structure depends on the nature of the project and the preferences of investors.

3. Forming a syndicate. Selecting syndicate participants, appointing a lead organizer and distributing roles and responsibilities: Syndicate participants determine who will be responsible for various aspects of the process, such as marketing, legal support, audit, etc.

4. Preparation of documentation. Developing a prospectus, obtaining regulatory approval and consulting with Shariah advisers. Shariah supervision is necessary to confirm that all aspects of the transaction comply with the principles of Islam.

5. Marketing and attracting investors. Presenting the project to potential investors, including banks, investment funds, insurance companies and individuals. Based on the analysis of demand, the price of sukuk and the terms of their sale are determined.

6. Closing the deal. Concluding agreements, preparing the necessary documents and registering the issue in accordance with legal requirements, as well as paying remuneration to the syndicate participants.

7. Managing and servicing sukuk. Monitoring the fulfillment of obligations and payments on sukuk.

8. Redemption of sukuk. Upon expiration of the sukuk, the issuer returns the principal amount of the debt to investors.

This process requires careful preparation and coordination of all participants, but as a result can lead to the successful attraction of significant amounts of capital for the implementation of large projects.

Thus, the advantages of issuing syndicated sukuk are as follows:

1. Syndicated sukuk can attract capital from both Muslim and non-Muslim investors interested in investments that meet ethical standards.

2. By sharing risks between several banks and investors, participants reduce their financial liability for possible project failures.

3. For those who adhere to the principles of Islam, sukuk represent a legitimate alternative to traditional financial instruments.

The results of the study of the AAOIFI Governance Standard (GS) No. 12 "Sukuk Governance" and the AAOIFI Governance Standard

(GS) No. 15 "Syndicated Financing" are presented in Table 2.

Table 2: Comparison of the requirements of the AAOIFI Governance Standard (GS) No. 12 "Sukuk Governance" and the AAOIFI Governance Standard (GS) No. 15 "Syndicated Financing".

Parameter	AAOIFI Governance Standard (GS) No. 12 "Sukuk Governance"	AAOIFI Governance Standard (GS) No. 15, Syndicated Financing
Objectives and tasks	The standard aims to establish general principles and procedures for the management of sukuk, including issuance, circulation and redemption. The aim is to ensure transparency and Shariah compliance at all stages of the sukuk life cycle.	The standard regulates the procedures and rules of syndicated financing, including the formation of syndicates, risk distribution and monitoring of the fulfillment of obligations. The main objective is to ensure effective interaction between the participants of the syndicate and compliance with Shariah requirements.
Basic principles	Compliance with Shariah standards, especially the prohibition of usury (riba) and uncertainty (gharar). Transparency and openness of information to investors. Efficient management of risks associated with sukuk.	The principle of sharing risks and rewards between syndicate members. Coordination of interests of all parties involved in syndicated financing. Clear division of duties and responsibilities between syndicate members.
Issue and placement procedures	A detailed description of the process for issuing sukuk, including preparing prospectuses, obtaining Shariah Board approval and registration with the relevant authorities. Rules for marketing and promoting sukuk to potential investors.	The stages of syndicate formation are described, including the selection of the lead organizer and the appointment of other participants. Procedures for concluding contracts and agreeing on financing terms.
Reporting and audit requirements	Regular reporting to investors is required, including information on the status of the assets underlying the sukuk. Mandatory audit of sukuk by independent professionals to verify compliance with Shariah and accounting standards.	Regular reporting to syndicate members on the progress of the project and the use of funds provided. Independent audit to monitor compliance with agreements and distribution of profits/losses.
Risk	Focus on managing	The focus is on

management	credit, market and operational risks associated with sukuk. Risk mitigation measures, including hedging and insurance, have been developed.	managing the risks associated with participation in the syndicate, including credit and liquidity risks. Risk mitigation measures include the distribution of liability between participants and the creation of reserve funds.
Sharia supervision	Need for a Shariah Board to approve the structure of sukuk and monitor their compliance with Islamic norms. Periodic review and updating of decisions of the Shariah Board	A Shariah Board is also required to approve the structure of the syndicated financing and monitor its Shariah compliance. Continuous monitoring and consultation with the Shariah Board throughout the duration of the agreement
Dispute resolution mechanisms	Procedures for resolving conflicts between sukuk issuers and investors are defined. The use of arbitration or mediation to resolve disputes is recommended	Mechanisms for resolving disagreements between syndicate members are described. Preference is given to pre-trial dispute resolution through negotiations and arbitration

Source: compiled by the authors.

AAOIFI Governance Standards GS No. 12, Governance of Sukuk, and GS No. 15, Syndicated Financing, differ in their objectives and scope, but both aim to ensure Shari'ah compliance and protect the interests of participants. The former focuses on the issuance and trading of sukuk, while the latter focuses on the formation and operation of syndicates. Both documents provide detailed guidance on procedures, reporting, risk management, and dispute resolution, making them important tools for regulating Islamic financial transactions, ensuring Shari'ah compliance and protecting the interests of all participants.

## 5 CONCLUSIONS

Thus, based on the results of the study of the possibilities of using foreign experience in issuing syndicated sukuk for Russian organizations of partnership (Islamic) financing, the following steps can be identified that Russia needs to take to create conditions for the introduction of syndicated sukuk into the practice of Russian organizations of partnership financing:

1. Adaptation of legislation. It is necessary to consider the possibility of creating special legal

regimes for Islamic financial products, similar to those that exist in some European countries (for example, in the UK and Luxembourg).

2. Creation of infrastructure for Islamic finance. It is necessary to introduce licensing procedures and support for the opening of banks specializing in the provision of Islamic financial services. In addition, it is necessary to develop information systems and platforms for trading and managing sukuk.

3. Education and training of personnel. It is necessary to launch full-scale educational seminars and trainings for Russian businessmen, lawyers and financiers in order to increase the level of knowledge about Islamic finance and sukuk, as well as to allocate grants to support scientific research and publications in the field of Islamic economics and finance.

4. Formation of international cooperation. Partnerships with international financial institutions such as the Islamic Development Bank (IDB) should be established to provide technical assistance and advisory support.

5. Outreach to potential investors. Presentation events should be organized for potential investors to demonstrate the advantages of the Russian market and specific projects requiring funding, including advertising campaigns and PR strategies to draw attention to the opportunities for investing in Russian sukuk.

6. Establishing Shariah supervision. Specialized Shariah boards should be formed, consisting of qualified experts who will assess the compliance of projects and financial instruments with the principles of Islam, and AAOIFI standards for governance, ethics, accounting, reporting, and auditing should be implemented to increase investor confidence in Russian sukuk.

7. Launching pilot projects. Several pilot projects for the issuance of syndicated sukuk should be implemented to test the mechanisms and identify potential problems.

Following this plan, Russian banks will be able to create all the necessary conditions for organizing the issuance of syndicated sukuk, which will open up new opportunities for attracting investment and developing the economy.

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