by virtue of Standard 59, when the value depreciates below RM510 million, the issuer needs to bring the value up to 51% within a specified period as their Shariah advisor advised.

The additional requirement of maintaining the value does not stop here. Suppose the value of the tangible assets further falls below 33%. In that case, it mandates the worst ultimatum towards the sukuk, which shall be further discussed in the next section as it relates to the tradability of the sukuk.

The implication of Standard 59 towards the tradability of hybrid sukuk

One of the main features of sukuk (and bond) is its ability to be traded in the secondary market. The investors buy a sukuk knowing that they can liquidate their position in the secondary market before the maturity of the sukuk when they need cash or for any other relevant [illegible]ses. This feature is important because sukuk is also an essential tool in liquidity management, espec[illegible] banks (Dolgun and Mirakhor, 2021). Thus, the tradability of sukuk is the primary conside[illegible]ent bankers structure a sukuk. As trading conventional bond is without any limitat[illegible] does not have to comply with any rules, the tradability of sukuk is [illegible] each sukuk structure such as *Ijarah* sukuk, [illegible] concerning sukuk tradability. Most [illegible] not own (ISRA, 2017) and, releva[illegible] by Standard 59.

Murabahah [illegible] the preferred structure in Ma[illegible]021 (Securities Commission M[illegible]ariah Advisory Council of the Se[illegible]alaysian Islamic capital market (Sec[illegible]hich represents the *Murabahah* [illegible] agreement between t[illegible]

How[illegible]tandard 17"), [illegible] to the suku[illegible]dard becau[illegible]ce is imposs[illegible]ngs of supply a[illegible]fore the delivery o[illegible]odity, not the receivabl[illegible]

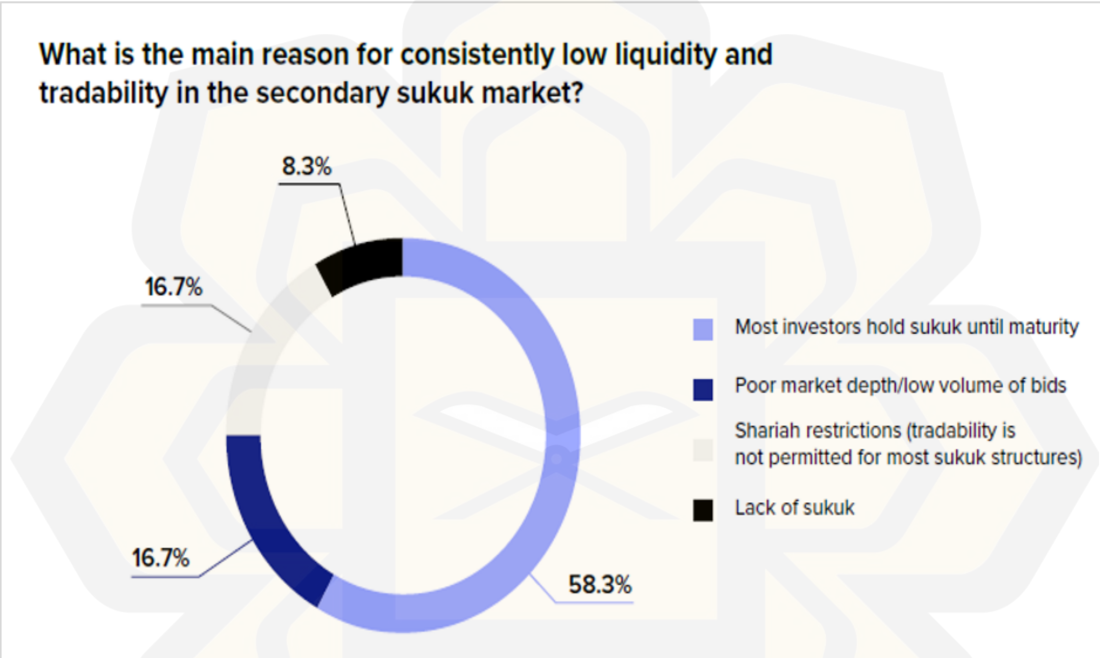
As *Murabahah* [illegible] trading, Standard 17 paragraph 5/[illegible] under the same standard as me[illegible]ariah standards was not clear be[illegible] Islamic Finance News, 2021b). T[illegible]aragraph 3/19 of Standard 21 on f[illegible]ot sukuk trading (AAOIFI, 2015). I[illegible]*ay' al-Dayn* rules (at par only) or deli[illegible]

Thus, Standard 59 imposed a conclus[illegible]33% minimum) that must be maintained because only then the sukuk can be traded [illegible]ry market. In this case, the *sukuk* will not be considered as debt because the tangible as[illegible]ficant i.e., more than 33%, following the rule of less than a third is considered as little. In this [illegible], trading the hybrid sukuk represents trading the tangible assets, not debt (as in the case in *Murabahah* sukuk). Therefore, it can be traded in the secondary market at any price. While this paper will not discuss the shariah justification in details, refer to Standard 59 for the detailed Shariah justifications.

Operationally, suppose the value goes below RM330 million (33%). In that case, the sukuk holders need to be informed by the issuer that the sukuk must be traded according to the sale of debt rule (must be traded at par only) and must be delisted if listed on any exchange. The delisting must be made because logically it is hard to observe the *Bay' al-Dayn* rules in the secondary market. The impact of delisting is huge because it provides additional risk for the sukuk holders. Such risk is not present in the conventional bond. According to a survey by Refinitiv, 58.7% of the sukuk holders hold the sukuk to maturity (Refinitiv, 2021). The investors (especially the Islamic financial institutions) are also cautious of the delisting event as most want to hold the sukuk to maturity. As a result, the lack of investors' participation in the sukuk that complies with Standard 59 may result in the lack of interest in the book-building exercise, ultimately leading to a higher funding cost for the issuer (Gulf Bond and Sukuk Association, 2021).

Thus, the tradability of sukuk is a vital consideration when structuring a sukuk (ISRA, 2017). In the same survey by Refinitiv (2021) as per Table 4, the issue of tradability was among the main reason liquidity and tradability have been low in the secondary market. It shows that, even before the implementation of Standard 59, the tradability of sukuk is already a concern among the industry players. Further complexity with the implementation of Standard 59 by AAOIFI may further aggravate the situation.

Table 4: Survey on sukuk



Source: (Refinitiv, 2021)

5. Conclusion

Based on the above, it can be concluded that the requirements under Standard 59 significantly impact the structuring of hybrid sukuk. The new requirements are stricter by requiring a higher tangibility ratio and additional requirement to maintain the tangible asset value. Furthermore, the requirement of delisting the sukuk if it falls below 33% is a big red flag for the sukuk holders if they intend to hold the sukuk until yield to maturity. While research on the Shariah justification behind these requirements and their impacts on the offering of hybrid sukuk will be conducted separately, the author believes that the implementation of Standard 59 shall be another historical checkpoint in sukuk structuring. Like other historical checkpoints of sukuk structuring as discussed in the early part of this paper, it requires the industry players to pivot and come out with solutions to maintain the positive growth of the sukuk industry. Hence, further research on this area is crucial.

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