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Introduction of Sukuk in Morocco: Issues and Risks

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Abstract

Morocco is preparing to introduce products and tools of Islamic finance, especially Sukuk, at its financial market. In this context, a new law on securitization for the issuance of Sukuk has been published on the official gazette in September 2013, and the new banking law organizing Islamic finance in the market should be adopted and published before the end of 2014.

The use of Sukuk will boost the market by draining new capitals. It will also be a new way of financing which may use the public and private sectors. The successful introduction of this new financial instrument will depend on several parameters, including establishment of a legal and regulatory framework, a relevant selection of projects for funding, and particularly a good risk management.

Indeed, as any financial instruments, Sukuk have risks : default risks, liquidity risk, market risk, sharia risk ... Some risks are common with those of conventional finance, in particular those of obligations, other risks are specific to Islamic finance and will be new to the different actors of the Moroccan financial market.

The purpose of this work is to present the issues of introducing Sukuk at the Moroccan financial market, and identify various Sukuk risks incurred by the multitude of financial market participants. Particular attention will be focused on the rules of risk management to put in place to ensure a successful launch of these products in the Moroccan market.

Keywords:

Sukuk, Securitization, Risk, Risk management, Default risk, Liquidity risk, Market risk, Sharia risk, Islamic finance, Morocco.

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