REVIEWER’S COMMENTS, JURNAL SYARIAH
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Title: Development of Sukuk in the State of Kuwait, Its Challenges and Prospects
Date: 12 March 2020

FIRST REVIEWER

Introduction:
Second and first paragraphs must be linked to smoothen the flow. First para stopped at a sukuk failure whereas the second para was about the lack of a comprehensive legal framework.

Discussion:
Clarity must be given to some statements. See for example about the TID Sukuk (p.2, l.28) and GFC (p.3, l.10). The year of issuance and event are missing.

The following story about TID must be rewritten to provide a smoother and clearer picture of the sukuk (p.2, l.31 – p.3, l.8).

Claims such as:
“(GFC) had a significant influence on the issuance of all types of securities, including Sukuk” and “Accordingly, as per a presentation given at the 17th Edition of AAQIFI’s Annual Shari’ah Conference, of the issued 207 USD-denominated Sukuk, 195 are listed in one securities exchange or more (94.2%). This fact confirms the prevalence of listed Sukuk notwithstanding the lack of trading volumes of Sukuk as the majority of Sukuk are held till maturity”, must be substantiated with facts.

“(Companies Law) which gave the CMA a mandate to regulate and supervise all matters relating to debt securities (namely, bonds and Sukuk) issued in Kuwait…” the fact presented must be checked. Normally such authorization is given not through a Company Act but the Capital Market Act. See Law no.7 of 2020 or known as CMA Law.

Discussions made for the current legal framework (pp. 4-6) were regarding amendments of CMA Law that enable the issuance of sukuk, MOU between CMA and CBK and sukuk regulations as stipulated by CMA executive bylaws. A clear discussion must be made to show how all of these individually and collectively feed into the main picture of legal framework for sukuk.

Requirement of prior approval of Sukuk issuance by the CMA, as long as any of the main parties involved is under the supervision of the CMA, namely the Issuer, Obligor, Originator, and Subscription Agent – clarity must be provided as to why this made the issuers to turn to abroad sukuk underwriters and arrangers.

In discussing the major challenges and hurdles, an explanation is warranted as to why yield curve, awareness and listing are the three main challenges to sukuk market in Kuwait.
Yield curve – the issue here is not regarding yield curve but the lack of benchmark yield provided by sovereign sukuk which are clearly in shortages.

Please explain the vicious circle that occurs in the secondary market.

Discussion on awareness is true only for the first paragraph. The rest is about legislative challenge.

The challenge as discussed in (b) – to be “more troublesome” is not very clear. “Additionally, it introduces unprecedented rules regarding Shariah Board by stipulating that for every Sukuk issuance a dedicated Shariah Board shall be created, which is not the norm in the Sukuk industry”. This stipulation is common in say, the Malaysian market.

The challenge discussed in (c). There is no clear linkage between the establishment of this department with the sukuk’s future.

Conclusion:
Conclusion made must be specific and pertaining to the issue at hand and in tandem with the problems and discussions throughout the article. See, “Finally, as presented by this paper, the challenges facing Sukuk development are intertwined with a high degree of interdependence. Additionally, the mandate (and authority) to act upon any of those challenges is not exclusive to one party, but includes several parties both from the private and public sectors. Therefore, coordination and collaboration is necessary to overcome the hurdles delaying the development of Sukuk in the capital markets of Kuwait”.

Grammar:
Usage of initial capital letter is only for proper nouns which sukuk, executive bylaws are not.

References:
An important reference is found missing:

See attached article for other comments.

SECOND REVIEWER

The article is interesting but it has some technical issues that need to be addressed. The followings are recommended to improve the article:

1. Methodology should be provided in the abstract.
2. The author used in-text citation in some parts of the article where footnotes are used in most parts of the article. One style should be followed for the entire article.
3. The introduction can be developed through giving an overview of the structure/organization of the article and mentioning the methods used to discuss the challenges and prospects of sukuk in the state of Kuwait.
4. No list of references is provided at the end of the article. Moreover, some important literatures on sukuk should be cited i.e. Solé, (2008). Prospects and challenges for developing corporate sukuk and bond markets Lessons from a Kuwait case study; International Shariah Research Academy, (2013). Sukuk principles and practices.
5. The author needs to be careful when using the acronyms. The author should give the details first before using the acronyms i.e. LIBOR, CMA etc.
6. I think the definition of sukuk in the footnote should be clearer and precise.
7. In the section “Sukuk: a brief history”, it is recommended to provide an overview of all the sukuk issuance in the state of Kuwait along with discussing the overall financial market scenario.

8. Given the scope of the journal, the author needs to provide an overview of the Shariah governance of the Islamic financial system in Kuwait. Moreover, while discussing the legal and regulatory framework and the challenges of sukuk, the Shariah supervision, governance and regulation should be further highlighted.

9. In the discussion of major challenges, the issue related to “yield curve” is not discussed well. The author should discuss, why the issue is important? can the issue be resolved by relying on the conventional bond market’s yield? is there any Shariah issue on that? etc.

10. Based on the substance in the section entitled “Lessons From The Sukuk Market In Kuwait”, I believe it is more suitable to change the title to “the prospect for Sukuk in Kuwait.”

11. There is a technical issue in the conclusion. Some new information is provided in the conclusion whereas that information can be provided under the section discussing the prospect for sukuk.

12. The article can be further improved by discussing more in-depth of the challenges. Based on the information provided in the article, I think, there are some more challenges related to the 3 challenges mentioned, for example, availability of investment bank to structure the sukuk, human capital, things that hindering the government to issue the sukuk, the ownership issue for the sukuk holders/SPV whether foreigners can purchase land property in Kuwait etc.

13. The article needs to be proofread as some linguistic issues are seen.