

# Press Release



**Contacts:** Louisa Bartoszek  
+44 20 7163 2826  
louisa.bartoszek@bnymellon.com

## **South Koreans show growing interest in Islamic financing**

### ***Asia to drive growth in sukuk sales in 2010***

#### ***Industry could see the first South Korean corporate sukuk as early as late 2010***

SEOUL, 12 March 2010 – South Korean institutions are showing increasing interest in Islamic financing to diversify capital raising avenues. This was the view of delegates at a seminar on Korean Sukuk held this week in Seoul by BNY Mellon, a leading provider of corporate trustee and agency services on Islamic transactions and other complex structured finance deals globally.

As the global financial markets recover from the financial crisis, Islamic finance is appealing as an alternative to conventional financial instruments. Sukuk share many features of conventional bonds, such as standardized transactions structures and documents, and similar trading, listing and ratings characteristics.

Issuers do not need to be Islamic entities, nor is the market restricted to the Middle East. Indeed there is anecdotal evidence which suggests that most sales of sukuk in 2010 will be generated from Asia. Malaysia continues to dominate the sukuk market today with an 80% market share in the global Islamic bonds market, but 2009 also saw other sovereigns such as Indonesia, with its successful Sukuk treble, make their way into the market. Singapore also made a relatively small but significant debut.

Although a relatively latecomer to Islamic finance in Asia, South Korea is following the stated ambitions of its neighbouring countries, such as Hong Kong and Singapore, in trying to establish itself as an international Islamic capital market hub. The country's National Assembly is currently considering a bill aimed at facilitating tax neutrality for the issuance of sukuk.

"South Korea was largely unaffected by the sub-prime crisis and is financially well-positioned globally as it accelerates out of the financial turmoil of 2009," said Gary Lew, Head of BNY Mellon's Corporate Trust business in Asia-Pacific. "Sukuk can help Korean firms diversify their financial resources, and expose them to Middle Eastern and Southeast Asian markets. If they choose to use it, sukuk can offer Korean companies a new fund-raising avenue through which they can leverage the pool of Islamic capital.

"If the legislation passes, the industry could see the first South Korean corporate sukuk as early as late 2010 or 2011," added Lew.

BNY Mellon has had a presence in South Korea for over 20 years. The company provides a wide variety of products and services to Korean institutional investors including trade finance, depositary receipts, custody and fund administration, corporate trust, foreign exchange and other treasury services. The company also has an asset management representative office in Seoul which opened in 2008.

BNY Mellon's corporate trust business services nearly \$12 trillion in outstanding debt from 58 locations in 20 countries. In 2009 the company was appointed on 8 out of 10 of the key US dollar deals in Korea and almost three quarters of the Asian market's most significant bond deals overall.

Its clients include governments and their agencies, multinational corporations, financial institutions and other entities that access the global debt capital markets. The corporate trust business utilizes its global footprint and expertise to deliver a full range of issuer and related investor services and develop customized and market-driven solutions. Its range of core services includes debt trustee, paying agency, escrow and other fiduciary offerings.

Corporate trust providers are appointed by debt issuers as well as fund and collateral management institutions to perform a variety of services related to debt and collateral administration, safekeeping, direct cash and investment management, portfolio and transparency analytics, reporting, and final asset disposition and distribution activities.

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## **Notes to editors**

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