Can Sukuk Become a Primadonna in Indonesia?
Judging from the development of sukuk in several countries

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Abstrak

The purpose of this study was to find out how the history of sukuk and the development of sukuk growth in various countries. the development of sukuk can also be seen from the structure of the sukuk that is currently developing.

The research method used by the author is the study of literature. The author collects scholarly journals and financial reports from various sources.

This paper aims to find out how sukuk develop using the right sukuk structure so that sukuk can be an alternative in improving the country's economy.

Research limitations/implications – The data analysis was restricted to two countries, but this could be extended. Alternative pricing benchmarks were suggested for sovereign sukuk but not for corporate sukuk.

Ministries of Finance and Central Banks of Muslim countries should review their debt financing policies and explore the potential of sovereign sukuk.

Little has been written previously on the use of musharakah partnership contracts for sukuk, and pricing issues have not hitherto been systematically investigated.

Keywords: *sukuk, ijara, salam, musharakah*

Introduction

Sukuk are Syariah compliant securities that sometimes are called "Islamic bonds"(Azmat, Skully, & Brown, 2014). This labeling was based on the fact that most of the early sukuk were structured as fixed income securities. But the "bond" label is misquiding because, unlike bonds, the income is not based on a loan contract but originates from (full or beneficiary) ownership right in underlying assets. This is a basic legal difference compared to conventional bonds. Furthermore, over time, sukuk became mor complex insolar as the Shari'ah compliant return could be fixed or floating, and the range of underlying assets was extended to include services, other intangible assets and investment activities. In total, sukuk have envolved conceptually into something far more diversified than "Islamic Bonds". To capture the diversity of sukuk, a recent textbook on Islamic capital market suggests the following comprehensive definition: Sukuk are:

> .... certificate evindencing an undivided ownership right or interest, wholly or partially, in a Syariah-compliant tangible asset, intangible asset, usufruct, commodity, or business as a going concern, or a participation right in an Syariah compliant profit-sharing venture, or a Syariah-compliant financial asset, or any combination there of the mixed portfolio of assets should not be exchange except at par value. (Muhammad, Sairally and Habib, 2015)

History of Sukuk

Although sukuk were first issued in the 1980s, nearly all growth has come within the past decade. According to Moody's (2007, 2008), the global outstanding

volume of sukuk exceeded $90 billion in 2007 and at that time expected to reach $200 billion by 2010. Issuance quadrupled from $7.2 billion in 2004 to nearly #39 billion by the end of 2007, and was up from $336 million in 2000.

Table 1 indicates that corporate sukuk quickly gained a dominant market share in the Islamic banking world, reaching more than 94% in 2005. Corporate sukuk broaden the firm's financing base away from traditional sources of fund (such as bank loans and lines of credit that are saved for other strategic investments), and extend their maturity beyond the short term horizon usually granted by bank. Further, corporate sukuk issues increase public recognition of the company and raise its profile in the market.

As noted above, Malaysia dominates the sukuk market, accounting for approximately 75% of total issues even with the mega-deals of the past two years that have established Dubai International Financial Exchange (DIFX)'s position as global sukuk center, with eight listings exceeding $10 billion as of June 2007 (DIFC, 2007). Thanks to a special provision for non-profit trusts similiar to English law, Malaysian law has played a significant role in developing the market for sukuk (Wilson, 2008). Malaysia's legal framework facilitates the establishment of the SPVs required for all sukuk to hold title of the underlying securitized assets and administer payment to investor. Given this fovorable legal environment, sukuk issues proliferated in Malaysia and a secondary market that is much more active than in the GCC region developed there. For the purposes of our study, therfore, we concetrate on sukuk from Bursa Malaysia.

At the internatinal level, London seeks to retain its role in provision of Islamic financial services, signaling its intention with specific language in the UK Finance Bill 2007 (Miller, Challoner, and Atta, 2007). The legislation was designed to give sukuk a level playing field with conventional securitization format by providing tax treatment equivalent to similar financial products.

In late 2009, two issues marked a widening in the recognition an acceptance of sukuk outside the Islamic world (Parker, 2010). The first issue was the much oversubscribed 5 year arate $100m sukuk of the International Finance Corporation (IFC), which was jointly arranged by HSBC, Dubai Islamic Bank and Kuwait Finance House-Bahrain. It was designed to increase funding for development activities in emerging market, including the MENA region. Although small relative to mega sukuk issues, it demonstrated that leading international institutions such as the Wordl Bank acknowlede the importance of sukuk as financing tool. The second issue was US-based GE Capital's 5 year $500 million sukuk to raise money for general corporate and balance sheet purposes. This "toe-in-the-water" transaction was seen as strategically important for GE as it raised funds from a new and important investor base.

The difference Sukuk with Conventioal Bonds

The recent controversy over whether some sukuk actually comply with the precepts of Shari'a suggests that sukuk are generally structured along Western rules of asset securitization. This raises the question of whether these innovative financial instruments are really all that different from conventional bonds. According to Miller, Challoner and Atta (2007), sukuk are structured to ensure an equivalent return to a conventional bond, with the difference that the return on the sukuk is generated form an

underlying asset, not from the obligation to pay interest. Similarly, Wilson (2008) argues that financiers make special efforts to render sukuk identical to conventional securities so unfamiliar investors can assess the risk of these new investments. Such sukuk essentially mirror conventional securities, defeating the notion of product innovation coupled with distinctive and pricing-risk characteristics in the Islamic finance industry.

Shari'a scholars oppose the structuring of Islamic financial instruments to please international investors precisely because of this danger of making them conventional interest-based products. They dismiss the need for similarity with conventional bonds to bridge the gap between conventional capital markets and emerging Islamic securities markets to strengthen global financial integration. According to the President of the AAOIFI Shari'a Council Mohammad Taqi Usmani, current practices of issuing Sukuk replicate the structure of conventional bonds in terms of lack of ownership, right to a fixed return, and the guarantee of repayment of principal. Usmani (2007) argues against seeking international bond ratings, since sukuk can be rated by the recently established regional rating agency, if needed, and Islamic banks should stand ready to endorse the acceptability of sukuk. Cakir and Raei (2007) take an opposing view, suggesting that Sukuk are truly different from conventional bonds.

Sukuk Structures

As with conventional debt securities sukuk are issued for a fixed time period rather than in perpetuity as in the case of equity. The time period can vary from three months in the case of sukuk that are similar to treasury bills, to five or even ten years for those than resemble conventional notes. Most sukuk to date have either been murabahah or ijara based, with the former offering a fixed return like a bond, while the latter provides a variable return similar to a floating fate note (Aquil, 2005)

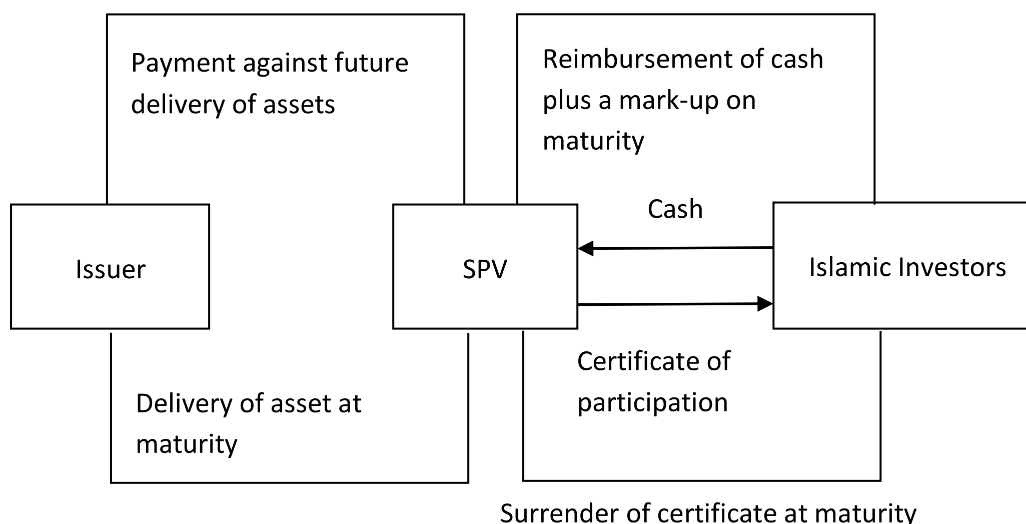
What makes a sukuk acceptable under shariah law is that it must be backed by a real asset such as a piece of land, a building or an item of equipment, and therefore when sukuk are bought and sold the purchaser and seller are dealing indirectly in a real asset, and not simply trading paper. With a murabahah sukuk an Islamic bank securities its trading transactions with a proportion of the fixed mark up providing the return to the sukuk investor, and the bank using the repayment from its trading client to repay the sukuk holder on termination of the contract.

In practice salam (or bay' al salam) structures have proved more popular for short run financing sukuk than murabahah as the latter usually involves commodity trading, the finance of which is not the aim of most sukuk issues. Salam simply refers to a sale deffered by the seller. The period involved is usually short, as with murabahah, three month being typical. In practice a salam sukuk can be considered as a shariah compliant substitute for a conventional treasury bill issued for three months short term financing by governments, as the return and the period to maturity are fixed when the offer is made. Such salam sukuk have been issued by the Bahrain Monetary Agency at three mothly intervals since 2002 as part of the short term financing facilities arranged on behalf of the Government of Bahrain (Bahrain Monetary Agency, 2002)

A typical salam sukuk structure is shown in Figure 1, with a special purpose vehicle (SPV) created as a legal entity for the duration of the sukuk with the sole purpose of administrating the payments made to the investors and holding the title to the

assets on which the sukuk is based (Dommisse and Kazi, 2005). The SPV can be regarded as a non-profit making trust, indeed the trust structures for which there is special provision for in English law are widely used for cross-border sukuk issues. As Malaysian law is very similar to English law, with comparable provision for trusts, this has facilitated the development of a market in sukuk in Kuala Lumpur.

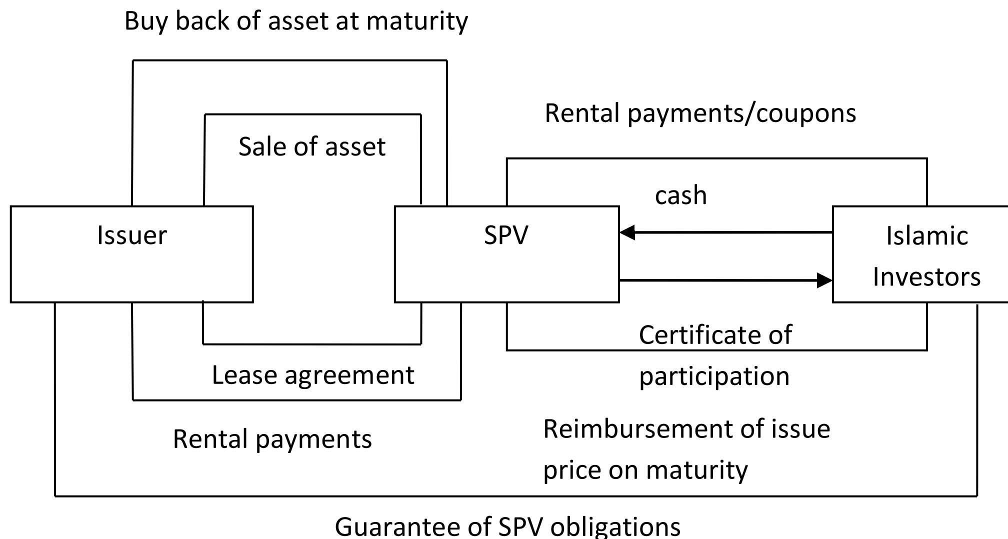
Figure 1 Salam sukuk structure



The first stage in the operation of a sukuk is when the issuer (for example, the government of Bahrain) transfer a title to the assets to the SPV, which in turn issues certificates of participation to the investors, who may be Islamic banks, takaful Islamic insurance companies or investment companies that want to hold their liquid assets in a shariah compliant form. The certificates of participation represent an undivided right to an interest in the assets, which means that the assets cannot be sold to another party for the duration of the sukuk. In return for the certificates of participation the investors make an up-front payment which entitles the investor to a future refund of the investment plus a fixed mark-up agreed in advance. It is because the initial payment is in advance, or up-front, that designates the strukture as salam.

As Figure 2 shows, the initial cash provided by the investors and collected by the SPV is used to make a payment to the issuer in return for an undertaking to deliver the asset at maturity. At that stage, typically after three months, the SPV takes delivery of the asset, but sells it back to the issuer. The proceeds form this sale are then used to reimburse the cash provided by the Islamic investors, and provide them with the preagreed mark-up return in relation to their investment. Before obtaining the return of their cash and the mark-up the investors have to surrender their certificates of participation to the SPV, implying they have no further right to an interest in the assets.

Figure 2 Ijara Sukuk Structure



With an ijara sukuk the prime function of the SPV throughout its life is the management of the sukuk, in particular the receipt of rent from the client for the leased asset and the payment to sukuk investors (Aseambankers, 2005). When the sukuk matures the SPV no longer has a role, and consequently it is wound up and ceases to from those involved with the specific sukuk, and therefore it has none of the risks associated with a bank, nor is it subject to bank regulation. In other words the SPV is bankruptcy remote, and hence is attractive to both the issuers and the investors. This is seen as a major advantage, justifying the relatively high legal costs of establishing the SPV. The risk assesment of the sukuk will simply depend on the client's perceived ability to make the payments to the SPV, which in the case of a goverment is the sovereign risk, and in the case of a company is the corporate risk. Not surprisingly this simple ijara SPV structure accounts for the overwhelming majority of sukuk issued to date.

Musharakah Sukuk

As the majority of sukuk are ijara based this structure is well tried and tested, which reduces the legal costs and structuring fees involved with new issues. There is nevertheless an interest in innovation in sukuk by both issuers and law firms, partly because of the prestige involved in being first in the field with a new innovative product, but also more fundamentally because partnership structures based on musharakah are much closer to the traditional forms of business organisation and financing long practiced informally in the Muslim World (Siddigi, 1985). In the case of istisna structures, another possible innovative sukuk, their credibility comes from the practical consideration of them being well suited for project finance, which is increasingly important in Muslim states where governments are more and more reluctant to sumply on private-public partnerships.

The Market for Sukuk

So far sukuk issues have been largely confined to the Gulf countries and Malaysia, with the latter accounting for the overwhelming number of issues as Table 1 shows, although the amounts are significant in the Gulf where the average size of each issue tends to be larger (Wilson, 2005). The data for table I relates to the period from January to September 2005, and since then there have been some very large issues in the Gulf, notably the $1 bilion issues for the international airport, and the issuance of the largest ever Islamic sukuk security offering valued at $2,8 billion. This offer is by the Ports, Custom and Free Zone Corporation of Dubai, the holding company of Dubai Ports World and the Jebel Ali Duti Free Zone (Business Digest, 2005)

The cureency in which the sukuk are denominated reflects the country of issuance, with the Malaysian ringgit dominating, the ringgit being pegged to the US dollar until 2005 when a modest upward float occured once the rate were freed (in Table II). Some capital control on the Malaysian currency remain however, a legacy from the Asian economic crisis of 1997, and in practice the market for sukuk in Malaysia is mainly domestic, with the local banks, insurance and investment companies the major buyer and sellers. In the Gulf countries most issues are in US Dollars, against which these currencies are pegged, although there is the possibility that with the introduction of a new unified currency for the Gulf Co-operation Council countries in 2010 the link with the US dollar may be replaced by a trade weighted basket. This could result in the new Gulf currency becoming the denominator of choice for sukuk issuance.

Although Citigroup was the leading sukuk manager in 2004 with five issues worth $854 million, it was overtaken by its international rival, HSBC in 2005, as Table III shows. The leading manager for most of 2005 was, however, the Malaysian investment bank, CIMB, although the full year figures are likely to see HSBC occupying the top slot. Standart Chartered and Deutshe Bank are the two other international banks with increasing experience of managing sukuk, a natural development given their major role in conventional bond, note and bill management. The other banks listed are Malaysian, apart from Dubai Isalamic Bank, which as already indicated may become the leading manager as a result of the sukuk issued by the Ports, Customs and Free Zone Corporation of Dubai. Part of this sukuk funding is to finance the take over of P&O Ports of UK (BBC News, 2005). As other Dubai-based multinational companies expand worldwide the Dubai Islamic Bank should be well placed to manage further large sukuk issues. Emaar, the developer of some of the largest comercial real estate and residential project in Dubai, is expanding its operations in Morocco and Saudi Arabia, notably in the latter Kingdom, where it is to be the co-developer of the $26 billion King Abdullah City north of Jeddah which is planned to be one of the word's largest ports (Hassan, Al-Zahrani, A, 2005)

Table 1
Islamic securities by country: year to September 2005

Country	Amount (US$)	Issues	Percent Share
Malaysia	4,205	255	65.7
UAE	750	2	11.7
Pakistan	600	1	9.4

Saudi Arabia	500	1	7.8
USA	200	1	3.1
Bahrain	80	1	1.2
Indonesia	61	3	1.0
Total	6,396	264	100

Source: Islamic Finance News (2005,p.28)

Table 2
Islamic securities by currency: year to September 2005

Country	Amount (US$)	Issues	Percent Share
Ringgit	4,405	256	68.9
US Dollar	1,850	4	28.9
Bahrain Dinar	80	1	1.2
Indonesia Rupiah	61	3	1.0
Total	6,396	264	100

Source: Islamic Finance News (2005, p. 28)

Table 3
Major manegers of sukuk securities: year to September 2005

Manager	Amount (US$)	Issues	Percent Share
CIMB	1,323	47	20.7
HSBC	1,224	18	19.1
Aseambankers	531	39	8.3
AmMerchant Bank	506	50	7.9
Standard Chartered	316	28	4.9
Citigroup	300	1	4.7
Dubai Islamic Bank	283	2	4.4
Deutsche Bank	275	3	4.3
EON Bank	246	47	3.8
RHB Bank	201	45	3.1

Source: Islamic Finance News (2005, p. 28)

Financial innovation with Sukuk

For sukuk to be distinctive form conventional securities financial engineering will be necessary to bring about new types of products. These may be initially more costly for the clients in terms of the rates that are offered to attract investors, and the latter may be uncertain and cautious about committing their funds to the unfamiliar. Conventional and Islamic banks involved with new types of sukuk will incur product development costs, often without the certainty that they can be recouped. Yet for those who do launch succesful products the rewards could ultimately be high, as even if other institutions copy the same formula the recognition that comes form being first in the field can be very helpful for longer term business generation.

The key to innovation is to focus on pricing and risk characteristics. For sovereign sukuk pricing could be based on real macroeconomic variables such as Gross

Domestic Product (GDP) growth rather than interest benchmarks. When GDP growth was high government tax revenue would usually increase more rapidly, especially for countries with income of sale taxes. This would enable governments to pay a higher return to investors in their sovereign sukuk. Conversely when GDP growth was lower, government revenue would be lower, implying a reduced capacity to service debt an pay sukuk holder. In other words sukuk holders would be taking on some of the sovereign risk (Tariq, 2004). By sharing risk with governments and reducing their obligations in times of diffuculty, the risk of default would be reduced. This might enable sovereign sukuk based on GDP benchmarks to be more favourably rated than the present "conventional" sukuk.

Interest rate and GDP growth figures are shown in Table IV for Saudi Arabia and Malaysia, with non oil GDP growth taken as a more stable indicator for Saudi Arabia given the volatility of international oil markets, and hence the Kingdom's oil sector and overall GDP growth. As ijara sukuk typically pay at least 200 basis points over base interest rates, such as those on inter-bank deposits cited in the table, the average return over the period from 1999 to 2005 for investors would have been 5.69 % on Saudi riyal denominated sukuk and 5.05 % on Malasian ringgit denominated sukuk. The riyal return including the premium is substantially higher than what might have been obtained on sukuk whose yield was based on Saudi Arabian non-oil GDP growth without any premium. In the case of ringgit denominated sukuk the return of an offering based on GDP growth would have been marginally greater than that on ringgit inter-bank rates with the premium added.

Table 4
Saudi Arabia and Malaysian interest rate and GDP growth

	SR Interest Rates	Saudi non-oil GDP growth	RM interest rates	Malaysian GDP growth
1999	6.14	4.20	5.00	5.00
2000	6.67	4.30	2.50	8.60
2001	3.92	3.50	2.80	0.30
2002	2.23	4.20	2.70	4.20
2003	1.63	3.40	2.75	5.20
2004	1.73	5.70	2.70	7.10
2005	3.53	7.40	2.70	5.20
Mean	3.69	4.67	3.02	5.08
SD	1.90	1.31	0.81	2.39

Investor in ijara sukuk are not only concerned with average return however, but also with the volatility of the returns as a lower volatility will generally be preferred to a higher volatility by the risk adverse. The SDs from the means are shown in table IV, with significantly lower volatility for returns based on non-oil GDP growth than for returns based on inter-bank rates in Saudi Arabia. With this lower volatility investors might be willing to puchase riyal denominated sukuk without any premium on non-oil GDP returns even if there is a 200 basis points mark-up on Saudi inter-bank returns. In Malaysia the reverse is the case, as with the much higher volatility of GDP-growth, a return based on this that is only marginally greater than the ringgit inter-bank rate would be unlikely to attract investors motivated only by financial returns. In this case a

premium would have to be paid by the sukuk inssuer above GDP growth rates to ensure that the offer was fully subscribed.

In reality matters are more complicated, as an ijara sukuk with inter-bank rates used as the benchmark is like a floating rate note, where the market value of the note seldom varies from the maturity value, unlike a fixed rate bond. However, once a benchmark that was not based on inter-bank rates is used, short- and even medium-term capital gains and losses would be possible, the extent of these depending on the time to maturity. If GDP growth rose relative to inter-bank rates, demand for the sukuk would increase given its higher return, and hence the price would rise. Conversely if GDP growth fell relative to inter-bank rates, investors who sold their sukuk in the secondary market would suffer capital losses. Therefore, as with fixed rate securities, prices would depend on interest rate expectations, but in the case of sukuk benchmarked against GDP growth, expectations about growth performance would also influence pricing.

Corporate sukuk could be benchmarked against indicators relating to the performance of the companies being financed. Share prices would be an inappropriate indicator, as this would blur the distinction between sukuk securities and equity investment. However, the use of dividend or profit indicators would be entirely appropriate, which could be the basis for a new type of sukuk based on a musharakah partnership structure. Musharakah contracts are for fixed time periods, like sukuk, and involve profit and loss sharing. These sukuk would therefore have a downside risk, as capital cannot be guaranteed, but the returns offered by the companies being financed could compensate for these risks.

The profit shares would clearly have to be attractive, but under musharakah contracts investors are permitted to be remunerated for amounts in excess of their actual investment contribution, as long as losses are shared in direct proportion to the profit shares. The attraction for investors in musharakah sukuk would be that there was a predefined exit, and in addition early exit would be possible as the musharakah would be securitised. The illiquidity of traditional musharakah contracts, and uncertainty regarding the exit route, largely explains why this form of shariah compliant financial contract has failed to become popular.

Another possibility would be mudarabah based corporate sukuk, with investors sharing in the profits or dividends, but not in the losses, although as with mudarabah investment deposits with Islamic banks, there could be no absolute guarantee of capital values. With mudarabah sukuk the return would be lower than with musharakah sukuk, but companies would be expected to make some provisions in highly profitable years so that payouts could be maintained in less profitable or loss making years. Shariah boards have authorised this practice for investment mudarabah deposits with Islamic banks. For investors the returns profile would be smoother for mudarabah sukuk than for their musharakah equivalent, but the expectation would be for higher returns on average to compensate for the greater risk involved.

Indonesia Green Sukuk

The Government of the Republic of Indonesia's green sukuk is a game changer for the region, giving a boost to a green sovereign bond market that has so far had scant issuance globally.

Indonesia's green debut makes it just one of a handful of sovereign issuers to sell green bonds globally. Poland and France both sold green bond ineuros, and Fiji and Nigeria issued local currency bond late in 2017. Other sovereigns, including Hong Kong and Malaysia, are rumoured to be eyeing the market but there has been little tangible progress in most of these deals.

That could soon change. Market watchers are optimistic that Indonesia's sale will lead to more sovereign green bonds. Indonesia'schoice to use an Islamic financing structure for its maiden green deal is a message to other Islamic countries that sustainable bonds are a successful financing option. Mohammad Hasif, investment manager at Aberdeen IslamicAsset Management, thinks that Malaysia, as well as United Arab Emirates and Saudi Arabia, could follow suit.

Malaysia has long touted itself as the Islamic finance leader inAsia, boasting by far the most vibrant sukuk market inthe region. It will almost certainly want to sell its own benchmark green deal, said Hasif. "For once, Indonesia is actively taking over from Malaysia on the sukuk innovation front."

That does not mean it will be easy. The down side to a green sukuk structure is that it is very country-specific. "Each regulator would have their own definition of what qualifies as 'green' or 'SRI' sukuk," said Hasif.

If other sovereigns want to do similar deals they will need to establish their own programmes to outline the use of proceeds in way that meets green requirements and is Shariah-compliant. Creating frameworks that fit both criteria at once will be time-consuming and costly, said Hasif.

Even leaving aside Shariah-compliance, sovereign green bonds face an uphill struggle. Establishing green MTN programmes does not come easy for sovereigns in general, one Hong Kong banker told "Global Capital" during Indonesia'sroadshow. Unlike for corporate issuers, sovereign debt programmes are subject to government scrutiny and face lengthy approval processes before they can take off.

But, he added, sovereigns can use political cover to get these sustainable MTN programmes approved. After all, such programmes do not just fit into Asian governments' environmental policies; they can also aid a region-wide commitment to infrastructure investment.

Indonesia's deal will almost certainly give the market a shot in the arm. The country is an annual issuer of sukuk and its regular Islamic investor base will almost certainly come along for the ride. Indonesia's "green" label will also attract some new European investors with green-specific funds, said Hasif.

Joint bookrunners Abu Dhabi Islamic Bank, CIMB, Citi, Dubai Islamic Bank and HSBC began meeting investors in late January for the senior sale, but were forced to wait to issue the notes until the market volatility of early February calmed down. On Thursday, the banks launched the five year green trade at 4.05% area. Along with the green notes, the sovereign also marketed a 10 year sukuk at 4.7% area.

At initial price guidance, the deal looked attractive, said Hasif. Indonesia has a clearly defined sukuk curve that generally offers a 20bp-30bp premium over its conventional curve, he said. The initial price target for the five year green notes indicated a 50bp premium. "They're trying to leave some meat on the table to attract investors," said Hasif.

The issuer may still be wary of the market backdrop. “Markets have come to terms with a pretty volatile US Treasury market,” said Hasif. But Indonesia tends to be sensitive to Treasury swings, and investors could still be unsettled, he added.

Likewise, some investors may find that Indonesia is getting too pricey since it was upgraded to full investment grade status last year. “The pricing [for Indonesia] has compressed to the point that some investors may consider them expensive,” said Hasif. It seems Indonesia is aware of what could be a mixed market reaction for this deal. One banker on the deal indicated that the sovereign was looking to raise between $300m and $500m for each tranche, but could reach up to $1bn for each depending on the market response. Another banker seemed to think the issuer would end up with a larger size of about $1bn for each tranche.

Conclusions

Although sukuk issues are taking off, with governments such as that of Indonesia planning substantial issues worth over $500 million for 2006, there is the same financial risk of default with sovereign sukuk as with conventional debt instruments. Some of the countries issuing sukuk have experienced major debt servicing problems in the recent past, and there is the danger that history might repeat itself. Corporate issues by large and medium sized companies, especially those involved in real estate development, also carry substantial risks if property prices start to decline, or if the high oil prices currently being enjoyed by the Gulf countries prove unsustainable.

Sukuk based on participatory structures, with risk sharing by investors, may be a way forward. The risk with these proposed structures is of variable returns rather than of default, which may well be more acceptable to informed investors in any case. Sukuk have taken off in terms of quantity, but the emphasis now needs to shift to quality. The Islamic scholars have shown their willingness to apply the principles of ijtihad or legal adaptation to the sukuk now being traded, but the finance specialists have arguably failed the industry to date. In financial terms the current sukuk offerings simply mirror their conventional equivalents. More financial engineering and imagination are clearly needed if new products are to be developed, with distinctive risk characteristics that will appeal to Muslims, and indeed non-Muslims seeking to diversify their risk portfolios.

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