

What will the first micro Sukuk in Germany look like?

Islamic finance has been integral to daily life in the UK for several decades. In contrast, some European countries still do not have a single provider of Shariah compliant financial products. Around 25.8 million Muslims live in Europe. It is high time to create a broad-based Shariah compliant offering in Europe that fits into today's era of digitalization and networking. AHMAD KAMAL CHENZAIE explores.



Ahmad Kamal Chenzaie is the chief growth officer at SUKUUK, a crowdfunding platform for ethical, sustainable and safety-oriented real estate investments in Germany. He can be contacted at kamal.chenzaie@sukuuk.com.

Approximately 5.6 million Muslims live in Germany, around five million in France (estimates range from three to nine million) and 700,000 in Austria. There needs to be more access to Shariah compliant financial products in these countries. For example, a customer survey conducted in Germany in September 2022 made it clear that prospective Islamic finance customers are dissatisfied with their current offerings. New crowd investment and finance platform types can be key drivers of further supply to fill specific gaps.

Crowd investment as micro Sukuk

A newly developed investment method, especially for retail investors, is the crowd investment model via platforms, which connects customers with capital needs and investors. Usually, the profit or return is based on the success of the invested product or service (Alam et al., 2019).

These crowd investment platforms enable global access for investors and can create diversification through investment in different regions, companies and services or real estate. The Islamic finance crowd investment market has 45 crowdfunding platforms (IFN fintech, 2022). However, the list does not differentiate between social funding (spending) and investing.

The German Islamic finance market currently has no active crowd investment supplier. However, there is a listed company on IFN — SUKUUK. The

founder of SUKUUK is also the CEO of INAIA, a company that has successfully served the German fintech market with investment products for investors since 2007. The platform was created due to the long-standing demand for Shariah compliant real estate financing in Western Europe. Muslims in Europe and non-Muslims interested in Islamic finance shall benefit from a sustainable, transparent and fair solution.

SUKUUK has already been examined by the German financial supervisory authority (BaFin). The entire structure of the crowdfunding platform is based on AAOIFI Shariah standards. Minhaj Shari'ah Financial Advisory in Dubai took over the certification. The platform plans to enable customers to crowd-invest in real estate in Germany. Via a crowdfunding platform (P2P financing) based on the concept of diminishing Musharakah and with the help of high-tech tools for processing, SUKUUK will qualify customers in Germany to apply for crowd finance digitally.

Furthermore, global crowd investors can invest from EUR250 (US\$276.12) and receive rental income for their partial shares of the total investment. Using complex algorithms and digital credibility approvals by independent organizations ensures that only creditworthy projects are invested in. Real estate investments should be accessible to global investors. The return on investment will be an individual and market-conforming rent share in euros that differs for each piece of real estate, depending on the attributes and the property's location.

SUKUUK has implemented an equity-based contract model entirely independent of interest-rate benchmarks, such as the London Inter-Bank Offered Rate or the Euro Interbank Offered Rate. That is why SUKUUK opted for Musharakah financing on an equal footing — with a fair distribution of opportunities and risks.



Crowd platform SUKUUK is launching an ethical, sustainable, and security-oriented crowdfunding of residential real estate in Germany. More countries will be gradually added to the platform so that more can finance their dream property according to the SUKUUK principle.

Expected return on investment

With SUKUUK, investors get a steady rental income (fixed income security) in the stable German market. Creditreform Rating has confirmed the long-term sovereign rating on the Federal Republic of Germany at 'AAA'. The rental profits could be up to 9% in the countryside or around 3% in the top seven German cities.

The expenses the investor has are also crucial for the income. The investor saves the trouble of looking for a tenant because this is fixed initially, and he becomes the owner. Communication with the tenant is covered via the SUKUUK platform so the investor can concentrate on their core business. A qualified trustee carries out the notary appointments.

SUKUUK makes it as accessible and as secure as possible for the investor and implements a residential real estate financing opportunity that people who are concerned of being ethical and sustainable are asking for. ☺