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Oman's Sukuk Market: Progress, Challenges and a Policy Roadmap for Deepening the Islamic Capital Market

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Abstract

Developing Oman's domestic Islamic capital market is a critical step towards expanding the treasury's financing options, supporting private sector development, and accomplishing Oman Vision 2040 goals of financial deepening. In this article, the evolution of Oman's sovereign sukuk market, developments in its depth and liquidity, and future plans for this market segment will be discussed. The analysis includes a review of academic literature and real-world data from Oman and its capital markets. Aspects such as pricing at issue and comparisons with markets such as Malaysia's after the Asian Financial Crisis, Indonesia, Saudi Arabia, the UAE, and Bahrain will also be included. Oman possesses most of the requisite entities for a thriving sukuk market; however, the difference is in how well they are utilized. The primary users of this kind of financial instrument are banking institutions and pension funds. No consistent relationship appears: sukuk yields were 1 to 3 basis points lower than government bonds in two similar auctions, while in the case of an October 2026 pair of auctions held two months apart, they were 34 basis points higher, with US interest rates going up about the same amount at the same time. Although bonds can be perceived as very close substitutes in this case, Islamic banks can only own sukuk as a type of financial instrument. Harmonization of Sharia processes would offer some benefit, but the main barriers include a small and irregular supply of sukuk compared to bonds, a non-trading owner strategy, lack of market makers, and absence of an Islamic collateralized funding option. At the same time, the Malaysian experience (scaled down to the local environment) suggests a three-step roadmap for successful development of the sukuk market: stable and definite issuance; Islamic collateralized financing availability and a small group of market makers; and corporate, sustainable and international involvement.

Keywords: *Oman; sukuk; Islamic capital market; sovereign debt management; local-currency bond market; yield spread; substitutability; Sharia governance; Malaysia; Oman Vision 2040.*

1. Introduction

Oman issued its first sovereign sukuk, often called Islamic bonds, in November 2015: a five-year ijara (lease-based) issue of 250 million Omani rials (OMR) (Wright, 2016). Five US dollar sukuk followed abroad, a standing domestic program began in December 2019, and since 2024 domestic issues have been auctioned competitively and opened to non-residents. Islamic banking held about a fifth of banking assets by end-2025 (CBO, n.d.d), and Fitch expects Oman's wider Islamic finance industry to approach USD 45 billion in 2026 (Arab News, 2026).

Issuance alone does not make a deep and liquid market, one in which investors can buy and sell at a predictable cost and prices can be observed. Investors need reliable information, enforceable rights and the ability to trade, and a sukuk market also needs well-functioning money markets, a diversified investor base and trading and settlement infrastructure (Kusuma and Silva, 2014, p. 10). Judged this way, Oman's market is still shallow. The International Monetary Fund (IMF) finds the investor base "dominated by domestic banks and pension funds" and the secondary market (trading after issue) "almost entirely inactive due to low market liquidity and no market-making system" (Piontek, 2025): no dealers are obliged to quote buying and selling prices. Exchange trading in

listed bonds and sukuk came to OMR 73.9 million in 2025, roughly 1.5 per cent of their market value (Times of Oman, 2026).

Government debt fell from about 68 per cent of GDP in 2020 to about 36 per cent in 2025, leaving fewer securities with which to build a market, and the medium-term debt strategy remained unpublished at the end of 2025 (S&P Global Ratings, 2025; IMF, 2026). Rial bond issuance is also split between two small parallel programs: conventional Government Development Bonds (GDBs) and sukuk. Oman Vision 2040 states that "financial deepening will be sought in the capital market" (Oman Vision 2040, n.d., p. 34); the policy question is how to achieve this without making higher government borrowing an objective in itself.

Malaysia accelerated the development of its local-currency bond and sukuk market after the Asian Financial Crisis exposed the dangers of short-term foreign-currency borrowing, while Indonesia, Saudi Arabia, the United Arab Emirates (UAE) and Bahrain show other approaches Oman could adapt. The present research analyzes developments in the market, the problems inhibiting its development and the approaches facilitating its advancement, including sustainable sukuk, which help finance the applicable projects. The research is based on six key questions:

1. **Q1.** What progress has Oman made in developing its sukuk market, and what challenges continue to affect market depth and liquidity?

2. **Q2.** What characterizes the demand for sukuk in Oman?

3. **Q3.** Is there a yield spread between Omani sovereign sukuk and conventional sovereign bonds, and to what extent are the two instruments substitutes?

4. **Q4.** Would standardized Sharia governance and documentation help resolve the market's challenges?

5. **Q5.** What lessons from Malaysia's experience after the Asian Financial Crisis and from other Islamic finance markets could inform a policy roadmap for Oman?

6. **Q6.** How can such a roadmap support the financing priorities of Oman Vision 2040?

The central argument is that Oman has a primary sukuk market but not yet a secondary one, mainly because of market design rather than Sharia governance: supply is modest, irregular and split between GDBs and sukuk; investors hold to maturity; and there is no market-making or interbank Islamic collateralized funding. That funding is the Sharia-compliant counterpart of a repurchase agreement (repo), in which a holder sells securities for cash and agrees to buy them back later, in effect borrowing against them.

The paper adds the most complete public record of Oman's sovereign sukuk issuance and pricing that could be located and what appears to be the first documented comparison of Omani sovereign sukuk pricing with conventional sovereign debt. After the literature (Section 2) and methods (Section 3), Section 4 answers Q1, Section 5 compares the six markets, Sections 6–8 answer Q2–Q4, Section 9 turns to Malaysia, Section 10 sets out recommendations and a roadmap (Q5–Q6) and Section 11 concludes; Appendices A–C hold supporting tables.

2. Literature Review

2.1 The economic substance of sukuk: El-Gamal and Jobst

El-Gamal (2006) argues that much of Islamic finance practices "Sharia arbitrage", reproducing conventional products with classical contracts. Jurists accept that the return on a lease or credit sale "may be benchmarked to conventional interest rates" (El-Gamal, 2008, pp. 615–616), and the replica inherits the original's risks while adding legal and transaction costs (p. 617). Two expectations follow for Oman. If its sovereign sukuk are in substance sovereign bonds in another legal form, they should yield close to conventional sovereign bonds, with any persistent gap reflecting liquidity or the investor base rather than credit risk; and one test of standardization is whether it lowers those costs. Because jurists disagree on which contracts are admissible, he also urges central banks to design instruments that all Islamic banks can accept (El-Gamal, 1999), a problem the Central Bank of Oman (CBO) now faces.

Jobst (2007) supplies the structural counterpart. In the sale-and-leaseback *ijara* used by most sovereigns, the government sells assets to a company that issues the sukuk; the government then leases the assets back and gives a purchase undertaking, a promise to buy them back at face value. He judges Bahrain's sovereign sukuk "more akin to guaranteed obligations than to non-recourse, secured obligations" (Jobst, 2007, p. 20). Rating agencies call such sukuk asset-based: holders depend on the government's promise and so bear its credit risk, whereas asset-backed sukuk are repaid from the assets themselves. Legal risk depends on whether courts read a transaction by its substance or its form (Jobst, 2007, pp. 28–29), and in 2008 the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) began requiring holders to become legal owners of the underlying assets (Jobst et al., 2008, pp. 16–17). All of Oman's domestic sovereign sukuk have been ijara (Oman Sovereign Sukuk S.A.O.C., 2021; 2024), so this paper treats them as sovereign obligations.

2.2 Institutional foundations of market development: Mishkin and the mismatch literature

Mishkin (1996, p. 5) argues that costly information and weak contract enforcement give securities markets in developing economies "a much smaller role", leaving banks dominant. The debt that is issued tends to be short-term and, where confidence in the currency is weak, denominated in foreign currency, so a depreciation amplifies adverse selection and moral hazard (Mishkin, 1996, p. 22; Mishkin, 1999). His prescription, set out in *The Next Great Globalization* (Mishkin, 2006), is institutional: strong property rights and "a legal system that enforces contracts quickly and fairly" (Mishkin, 2007). New instruments such as sukuk therefore need institutions that give investors confidence.

Eichengreen and Hausmann (1999, p. 330) call a related problem "original sin": "the domestic currency cannot be used to borrow abroad or to borrow long term, even domestically", so investment carries a currency mismatch (foreign-currency debts, local-currency income) or a maturity mismatch (short-term debts, long-term assets). The Asian Financial Crisis brought together these concepts, hence there is a "double mismatch". According to Burger and Warnock (2006), "policies and laws matter", even though local-currency markets might shift mismatches elsewhere (Hofmann, Patel and Wu, 2022). Oman is different from the others, as the rial has been pegged to the US dollar (Oman Sovereign Sukuk S.A.O.C., 2021), but the maturity mismatch remains unchanged.

The policy guidance is offering building blocks: a credible borrower that needs to be borrowing regularly, a benchmark issue that is large enough to serve as the pricing reference, and a wide investor base and dealing and broking (World Bank and IMF, 2001; IMF et al., 2013). Some governments issue bonds even during years of surplus in order to maintain the benchmark yield curve (IMF et al., 2013, p. 5). It is also important how large the market is, as government bond markets need about USD 100–200 billion worth of outstanding bonds for high liquidity (McCauley and Remolona, 2000, p. 54).

2.3 Investor demand and the relationship with conventional bonds

Jobst et al. (2008) see "a straightforward capital cost advantage" in sukuk's broader investor base (p. 13) but expect limited tradability to mean "a higher yield at issue" (p. 14). In Malaysia, Chen et al. (2022) find Islamic sovereign bonds yielding about 4.8 basis points (hundredths of a percentage point) *more* than comparable conventional bonds, which they attribute to scarce foreign institutional investment in the Islamic market. This challenges the assumption that restricted Islamic demand must lower sukuk yields: the sign of the yield spread depends on who holds each instrument and how liquid each is. Larger sukuk markets are associated with economic size, the Muslim share of the population, a sound investment profile and lower corruption (Smaoui and Khawaja, 2017).

On substitutability, Cakir and Raei (2007, p. 12) conclude that sukuk "are different types of instruments than conventional bonds", and Naifar, Mroua and Bahloul (2017) call the two "complementary and not substitutes", whereas Hassan et al. (2018) find that their returns move together, as do Danila et al. (2024), whose sample includes Oman. No peer-reviewed study directly measuring the yield spread between Oman's sovereign sukuk and its conventional sovereign bonds was found; Section 7 attempts it.

2.4 Sharia governance, standardization and institutional perspectives

Sharia certification is priced: structure and scholars' reputation affect issuers' market valuation (Godlewski, Turk and Weill, 2014). Azmat, Skully and Brown (2014) argue that issuer "fatwa shopping" (seeking scholars who will approve a structure) can produce instruments that are less than fully compliant, and Jobst et al. (2008, p. 11)

conclude that "greater standardization would enhance the valuation and efficient pricing of sukuk and improve secondary market liquidity". Grais and Pellegrini (2006) propose guiding each institution's own Sharia board, then usual in much of the Gulf (Grassa, 2013), with harmonized contracts and external Sharia audit; a central authority with binding rulings, as in Malaysia, goes further.

IMF staff point to supply: "the supply of Sukuk ... falls short of demand" (Kammer et al., 2015, p. 7). The Fund warns against "subjugating issuance of government Sukuk to the fiscal position irrespective of market development needs" (IMF, 2017, p. 2 and para. 63), a risk for Oman during fiscal surpluses. Piontek (2025, para. 9) traces Oman's "hold-to-maturity culture among investors" to an immature debt market and surplus bank liquidity, and finds three preconditions for an active secondary market missing: a few benchmarks issued on a predictable and transparent schedule, enough intermediaries prepared to trade, and a working money market with interbank repo. The IMF's 2025 review asks that Oman's debt strategy be "regularly updated and published" and calls "a market-based government yield curve" the immediate priority for capital-market reform (IMF, 2026, paras. 19 and 28).

The Islamic Development Bank (IsDB) Group and the World Bank warn that if governments use sukuk "simply to finance their current expenditures", issuance "can contribute to financial repression and crowding out of private investment" (World Bank and Islamic Development Bank Group, 2016, p. 87). IsDB Institute economists, complementing El-Gamal, question the prevalence of debt-like outcomes: debt-based structures made up roughly 70–80 per cent of issuance in 2022 (Izhar, Abdul Manap and Yagci, 2025). The Islamic Financial Services Board (IFSB) traces weak secondary activity to "a concentrated and captive investor base" (IFSB, 2025, p. 10) and recommends regular local-currency sovereign issuance, standardized documentation and "primary dealers or other designated market-makers with defined obligations" (pp. 60–61). In this way, the institutional literature seems to be literally converging on the importance of regular supply, intermediation, and simpler documentation while the only substantial difference lies in the analyses regarding the degree of centralization in governance in accordance with Islamic rules.

2.5 Sustainable sukuk and Oman Vision 2040

Sustainable sukuk connect Islamic financing structures with specified environmental or social purposes. Malaysia's 2014 Sustainable and Responsible Investment Sukuk Framework shows the kind of rules on project eligibility, use of proceeds and reporting that make such issues credible (Securities Commission Malaysia, 2014). Oman introduced its Sustainable Finance Framework in 2024, which permits the issuance of green, social, and sustainable sukuk and has been found to comply with international market standards (Ministry of Finance, 2024; Moody's Investors Service, 2024); it has also been stated that the bonds and sukuk regulation of 2024 relates to green or sustainable instruments (Piontek, 2025, para. 4; Times of Oman, 2024b). However, simply acquiring a sustainability label does not mean that financing becomes cheaper. Sustainable sukuk can be applied in Oman in projects where there appears to be a financing need and which fulfill the requirements of Vision 2040 in terms of achieving financial deepening and attracting private investment; eligible projects are required and need to be reported consequently, and a traded sovereign yield curve is required for pricing purposes.

According to existing literature, even though a financial instrument can attract investors at the moment of issuance, it may turn out to be difficult to trade later on. Therefore, market depth and liquidity are viewed in this study as the result of four different conditions: the supply from issuers, the pool of investors, intermediation and market infrastructure, and the applicability of legal, Sharia, and disclosure standards.

3. Research Design and Methodology

3.1 Comparative design and data

The research focuses on the comparison between Oman and Malaysia, Indonesia, Saudi Arabia, the United Arab Emirates, and Bahrain with respect to issuance structures, investor engagement, liquidity management, secondary market facilitation, Sharia governance, and market infrastructure. These are grounded on the sukuk market requirements proposed by Kusuma and Silva (2014) and the challenges raised by IFSB (2025). Malaysia is the primary comparison as it has the largest and best-developed sukuk market in its local currency and has been comprehensively analyzed since the Asian Financial Crisis. The other four countries serve as benchmarks of

verification of Oman's uniqueness but are not ranked, and the comparison accounts for differences in their size, regulatory settings, and investor profile.

The materials used for a comparative analysis have been sourced from a range of official documents, and press articles, among other sources; Appendix A provides data on the reference dates and definitions employed and indicates gaps in the data available. The study is based on the distinction between the existence of some arrangement and evidence of its use; for instance, a dealer framework does not confirm the trading process, nor does a liquidity instrument reflect its operational usage by the banks.

The analysis is descriptive for issuance, subscription, holding, and trading in Oman between 2015 and 2026, and cover ratio (total value of bids divided by total amount issued) and turnover ratio (trading value over the market value of bonds and sukuk at the end of the year) are used. Table C1 summarizes the evidence, methodology, and main limitation for each of Q1 to Q6. There was no use of interviews or proprietary information, and the data set runs until 26 October 2026, but the data set for the twelfth sukuk was published on 27 October and is included.

3.2 Pricing comparison: measures and pairing rules

For Q3, the paper separates the profit rate or coupon (the contractual payment), the yield at the issue price (re-offer yield), the average accepted auction yield and the later secondary-market yield. A coupon equals the yield only for an issue sold at par (face value), and only on its issue date; where no re-offer yield was published, the coupon of an issue sold at or near par is used instead, and Table 3 says so. The spread, in basis points, is:

$$\textit{Spread (basis points)} = (\textit{sukuk yield} - \textit{comparable conventional yield}) \times 100, \textit{ with yields in percentage points}$$

A negative spread means a reduced sukuk yield, thus making it less expensive for the issuer. Issues in US dollars that are made on different days are compared with the yield of a US Treasury bond of similar maturity on the same day, and the two spreads are compared. The pair must have the same issuer and currency and their maturities should differ by two years at most, or a conventional yield is interpolated between same-day issues.

The two issues in a pair must be priced within about three months of each other.

3.3 Limitations

Due to the absence of an accurate domestic yield curve (Piontek, 2025) as well as free secondary-market prices available on the same day, price comparison is possible only at the time of issue. Investor intentions are deduced based on indirect information, and journalistic sources may conflict. Thus, it is impossible to conclude that a particular mechanism was behind the result achieved in Malaysia, nor that it has the capacity to be applied in Oman.

4. Oman's Sukuk Market: Progress and Challenges

4.1 Institutions and the issuance record

Oman's sukuk market has developed through several milestones (Table C2). Royal Decree 69/2012 permitted Islamic banking in December 2012, when the CBO issued its Islamic Banking Regulatory Framework; a sovereign sukuk issuer (August 2015), the CBO's High Sharia Supervisory Authority and the capital-market regulator's sukuk rules followed. The Public Debt Law authorizes sukuk issuance within an approved debt strategy (Royal Decree 68/2023; Ministerial Decision 231/2025).

By October 2026, thirteen domestic sovereign sukuk issues (the 2015 debut and twelve under the 2019 program), all ijara (lease-based), had raised about OMR 2.1 billion (Table 1). Supply has been uneven: no issue between the 2015 debut and December 2019 or in 2021, and only a rough rhythm since 2023 (Figure 1). Maturities have converged on seven years (all but one issue since 2022), and since 2024 issues have been auctioned competitively, with investors bidding yields, and opened to non-residents.

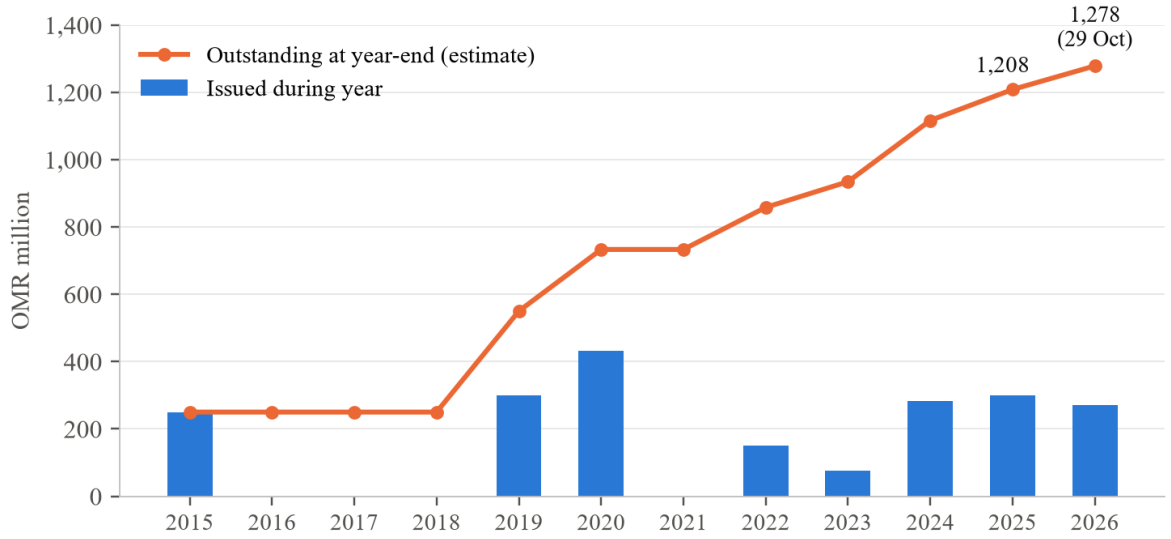
Table 1. Domestic OMR sovereign sukuk, 2015–2026

Issue	Settlement	Size (OMR m)	Tenor (years)	Profit rate (%)	Method/eligibility	Bids (OMR m)	Cover (× final size)
Debut	Nov 2015	250.0	5	3.50	Book-building; minimum OMR 500,000	336.0	1.34
Series I	Dec 2019	100.0	5	5.00	Private placement	n.a.	n.a.
Series II	Dec 2019	200.0	7	5.50	Private placement	n.a.	n.a.
Series III	Sep 2020	200.0	6	5.25	n.a.	n.a.	n.a.
Series IV	Nov 2020	208.1	5	5.75	n.a.; minimum OMR 10,000	c. 220	1.06
Series V	Nov 2020	25.0	2	4.75	Retail; minimum OMR 100	fully subscribed	–
Series 6	Jun 2022	150.0	7	4.85	n.a.	n.a.	n.a.
Series 7	Dec 2023	76.3	7	5.40	Private placement	143.6	1.88
Series 8	Dec 2024	282.0	7	4.80 (avg. yield 4.75)	Competitive; open to all; minimum OMR 100	326.9	1.16
Ninth	Jun 2025	100.0	7	4.65 (avg. yield 4.625)	Competitive; open to all	260.0	2.60
Tenth	Dec 2025	200.0	7	4.15 (avg. yield 4.11)	Competitive; open to all	276.6	1.38
Eleventh	Jun 2026	120.0	5	4.20 (avg. yield 4.19)	Competitive; open to all	c. 249.8	2.08
Twelfth	Oct 2026	150.0	7	4.85 (avg. yield 4.82)	Competitive; non-competitive retail portion (max. OMR 10,000)	273.2	1.82

Notes: n.a. = not published or not located; a private placement is sold by negotiation to selected investors. Cover ratios are the author's calculations. Sources disagree on the sizes of Series IV and 7 and on the profit rate of Series I; the issuer's audited accounts and the Series 8 prospectus are followed.

Sources: Oman Sovereign Sukuk S.A.O.C. (2021; 2024); Ministry of Finance (2026a); Oman News Agency (2026); Oman Observer (2019; 2025); Oman Daily (2022; 2026); Times of Oman (2020; 2024a; 2024c; 2025a; 2025b; 2025c; 2025d); Salaam Gateway (2020); John (2015); Reuters (2015).

Figure 1. Domestic sovereign sukuk: issuance per year and estimated amount outstanding, 2015–2026 (OMR million)



Note: Outstanding amounts are the author's reconstruction from issue sizes and maturity dates (Table 1); buy-backs, if any, are not captured. The 2026 figures run to 29 October, including the twelfth issue but not the maturity of Series II (December 2026).

Source: Author's calculations from Table 1 sources.

Pursuant to the statistics data from different sources in Table C3, five sovereign US dollar sukuk arrangements resulting in an approximate fund of USD 6.75 billion have been made in foreign markets since 2016. The local arrangement of the sukuk yielded an approximate amount of USD 5.4 billion, whereas no issuance of a conventional US dollar sovereign bond after January 2021 could be found. According to Fitch (Arab News, 2026), sukuk, in 2025, represented approximately 60 per cent of US dollar issuances by Omani issuers.

4.2 Size, composition and fiscal context

Estimates of the total stock depend on what is counted: Fitch put sukuk from all issuers at about USD 8 billion at end-2023, two-thirds sovereign (Piontek, 2025, citing Fitch), and the IIFM estimate for end-2025 is USD 10.3 billion (IIFM, 2026). On the author's reconstruction, domestic sovereign sukuk were about OMR 1.1 billion at end-2024 against OMR 2.44 billion of conventional Government Development Bonds (GDBs), roughly 31 per cent of the total. In May 2026, 18 of the 68 bond and sukuk issues listed on the Muscat Stock Exchange (MSX) were sukuk (Oman Observer, 2026). Corporate issuance remains dominated by state-linked entities such as Energy Development Oman (GCC Business News, 2025).

Fiscal consolidation explains much of the issuance pattern: higher oil revenues let the government prepay debt, which fell from OMR 17.6 billion at end-2022 to about OMR 14.2 billion in mid-2026 (Oman Sovereign Sukuk S.A.O.C., 2024; Ministry of Finance, 2026b). S&P restored Oman's investment-grade rating in September 2024 (S&P Global Ratings, 2024), and sovereign spreads, Oman's credit-risk premium over US Treasury yields, averaged 129 basis points in January–October 2025 against 310 in 2022 (IMF, 2026). Smaller financing needs help debt sustainability but hinder market development, since much issuance now refinances maturing debt; the 2026 budget envisages about OMR 850 million of GDBs and sukuk (Muscat Daily, 2026). The medium-term debt strategy promised in 2021 remained unpublished in December 2025 (Ministry of Finance, 2021; IMF, 2026), and beyond an annual borrowing plan no auction calendar was found; the IMF calls a more regular schedule work in progress (Piontek, 2025, para. 3).

In answer to Q1, Oman has built the institutions and the domestic and international funding channels of a sukuk market, but issuing securities has not created a deep and liquid market.

5. Oman in Comparative Perspective

5.1 Market structure and scale

Oman's Islamic banking sector could support further sukuk market development: OMR 9.16 billion (about USD 23.8 billion) at end-2025, about a fifth of banking assets (CBO, n.d.d). Share and size, however, tell different stories (Table A1). Indonesia has a lower share than Oman, 7.41 per cent, but larger assets, about USD 59.7 billion; the UAE has a share close to Oman's, 24 per cent, but much larger assets, about USD 296.5 billion. Nor does the number of Islamic banks determine the sector's size: Bahrain's 15 Islamic banks and 7 windows held USD 64.5 billion in June 2025, while Saudi Arabia's four largest Islamic banks and its windows held USD 913 billion in 2024. For Oman, the question is how existing banks and windows can participate more effectively and how to attract other investors, in line with Oman Vision 2040.

5.2 Balance sheets and liquidity tools

The principle of financing governs Islamic banks in Oman overwhelmingly, as financing comprised 81.1 per cent of total assets at the end of 2024, while investment had only a 10.2 per cent share (See Table A2). Malaysia shows similar proportions with financing dominating, while investment percentages of the other four countries range from 18.1 per cent to 35.4 per cent. Even though they include other assets than sukuk and are different in their classification, this indicates the presence of smaller investments in Oman, which may signify either the demand for financing, the bank policy or the range of instruments (See Section 6.1).

To manage liquidity (Table A3), banks in Malaysia, Indonesia and Saudi Arabia can use forms of repo, borrowing cash against securities (Section 1). Oman has no active interbank repo market, and the CBO's tools are recent: US dollar wakala (agency) placements since December 2022 and OMR Qard Hasan (interest-free loan) and restricted mudaraba (profit-sharing) instruments since 2025; Islamic treasury bills, certificates of deposit and ijara sukuk are planned (CBO, n.d.b; n.d.e). Bahrain's short-term salam (advance-payment sale) sukuk, 129 million Bahraini dinars at end-June 2025, are directly relevant to those bills (CBB, 2025b). The number of tools alone does not show how actively banks use them.

5.3 Sukuk markets and interbank activity

Sukuk markets differ widely too: all Omani sukuk were estimated at USD 10.3 billion at end-2025, 1.02 per cent of the global stock against Malaysia's 35.9 per cent (IIFM, 2026; Table A3). Malaysia's Islamic interbank repo grew from 12.6 billion ringgit in 2023 to 42.6 billion in 2024 after a 2024 policy on Islamic collateralized funding (Bank Negara Malaysia, 2025b), evidence of use though not of sukuk trading. Indonesia's sharia interbank market traded 541.72 trillion rupiah in 2024 (Kusuma, M.T., 2025), but no activity data were located for the UAE or Bahrain, and Oman's annual trading figure, OMR 73.9 million in 2025, combines bonds and sukuk (Times of Oman, 2026; Section 6.2).

5.4 Sharia governance and market infrastructure

Sharia governance ranges from Malaysia's central council, whose rulings bind institutions and referring courts (Central Bank of Malaysia Act 2009), to Saudi Arabia's bank-level committees (Saudi Central Bank, 2020; Table C6). Yet Saudi Arabia became the world's largest sovereign sukuk issuer, and the UAE's mandatory AAOIFI standards have left its issuers the most exposed to AAOIFI's proposed tightening of sukuk rules (LSEG, 2025, p. 53; Section 8.2). In all three Gulf comparators, market size has followed sovereign supply much more closely than governance design. Oman's High Sharia Supervisory Authority (HSSA) settles disputes between banks' Sharia boards through binding resolutions, while each bank's own board remains primary (Table C6).

Trading infrastructure is largely in place: Omani bonds and sukuk are listed on the MSX and settled through Muscat Clearing and Depository, although, unlike Malaysia, Oman has no bond pricing agency to value rarely traded bonds (Table A4; Table 5). For Q1 and Q5, the comparison suggests that Oman has most of the institutions the other markets have; its gap lies mainly in their scale and use, in market information and in the missing interbank repo market. Since an arrangement's existence is not evidence of its use, the comparison points to linking sukuk holdings more closely to liquidity management and trading, and to reporting sukuk trading separately (Section 10). Table 2 summarizes the comparison.

Table 2. Oman and five comparator markets

Country	Islamic banking assets (share of total)	Sukuk outstanding	Islamic liquidity tools	Central Sharia body
Oman	USD 23.8bn (c. 20%), end-2025	All sukuk USD 10.3bn; domestic sovereign c. OMR 1.2bn (end-2025, author's estimate)	USD wakala (since Dec 2022); OMR qard hasan, restricted mudaraba (2025)	HSSA; settles disputes between banks' boards
Malaysia	RM 1,583.3bn incl. development financial institutions (38.7%), end-July 2025	RM 1,495.7bn, 62.9% of bonds and sukuk (end-Sep 2026)	Islamic interbank money market (since 1994); Islamic repo (2024 policy)	Shariah Advisory Councils; binding rulings
Indonesia	USD 59.7bn (7.41%), June 2025	Corporate sukuk IDR 76.75tn (July 2025; n.v.)	Sharia interbank money market, including repo	National Sharia Council (DSN-MUI); fatwas underpin rules
Saudi Arabia	USD 913bn (2024); 75.3% (Jul–Sep 2024)	Listed sukuk and bonds SAR 695.8bn, 97.6% government (Jul–Sep 2025)	Repo against central bank murabaha (cost-plus sale) placements (since 2015)	None; bank-level committees
UAE	USD 296.5bn (24%), end-2024	Sukuk 20.2% of USD 309.4bn bonds and sukuk (Jan–Mar 2025)	Certificates of deposit; murabaha facilities	Higher Shari'ah Authority; AAOIFI standards mandatory
Bahrain	USD 64.5bn (25.6%), June 2025	Public Islamic debt BHD 4,125.6m (June 2025)	Wakala deposits; salam and ijara sukuk	Centralised Shari'a Supervisory Board; prevails in conflicts

Notes: n.v. = not re-verified in October 2026. UAE and Bahrain governance entries as in Table C6.

Sources: Appendix A; CBO (n.d.a; n.d.c); Central Bank of Malaysia Act 2009; Saudi Central Bank (2020); LSEG (2025, pp. 53, 65).

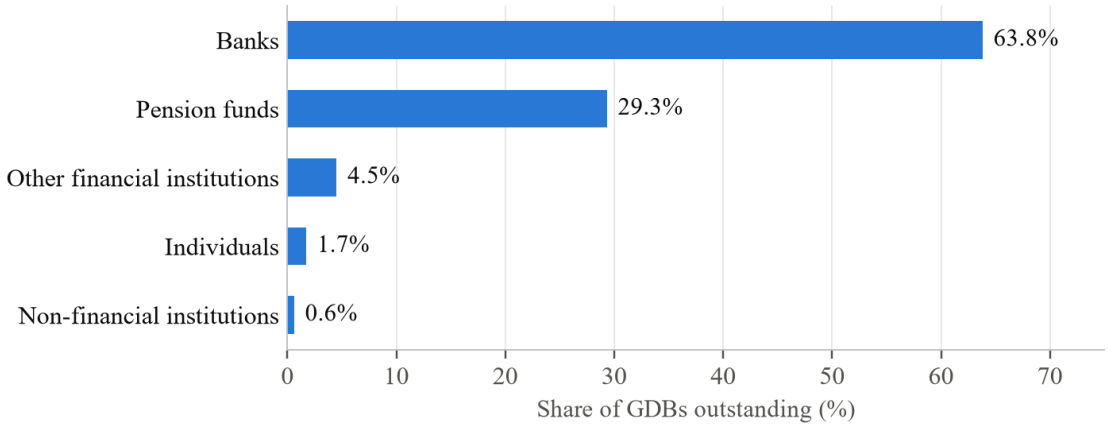
6. Demand for Sukuk in Oman

6.1 Primary-market demand and the investor base

In the primary market, where new sukuk are sold, every domestic issue with published results was covered by bids, by about 1.1 to 2.6 times the amount issued where bids are reported (Table 1). Because issues have repeatedly been sized to bids, as when Series 8 was enlarged beyond its announced base size (Times of Oman, 2024c), low cover ratios need not signal weak demand.

No investor-level allocation of domestic sukuk is published, and the CBO's holdings table excludes sukuk (CBO, 2025, Table 4.6(a)). For GDBs, the best proxy, banks held 63.8 per cent at end-2024 and pension funds 29.3 per cent (Figure 2). In June 2020, the only date with a sukuk breakdown, banks held about 71 per cent of the OMR 550 million outstanding, OMR 360.7 million of it in commercial banks, whose Islamic windows are not shown separately; the two full-fledged Islamic banks held only OMR 27.2 million (Oman Sovereign Sukuk S.A.O.C., 2021, p. 137).

Figure 2. Holders of Omani Government Development Bonds by sector, end-2024 (% of OMR 2,440.5 million outstanding)



Note: Holdings at issue; sectors include non-residents (0.9 per cent).

Source: Author's chart from CBO (2025), Table 4.6(a).

Regulation requires pension funds to hold at least 30 per cent of assets in local government securities (Piontek, 2025, Box 1); banks count such securities toward liquidity requirements (Piontek, 2025, fn. 7) and face a CBO cap of 45 per cent of net worth on GDBs and sovereign sukuk (Oman Sovereign Sukuk S.A.O.C., 2021). Islamic banks and windows, barred from conventional government securities, hold sovereign sukuk as their main domestic liquid asset, yet only about OMR 1.2 billion was outstanding at end-2025 on the author's reconstruction (Figure 1), roughly 13 per cent of their assets. The IMF finds that they "tend to hold the sukuk to maturity", partly because holders are unwilling to sell "due to uncertainty about finding a replacement" (Piontek, 2025, para. 13).

Abroad, orders for the 2021 US dollar sukuk, roughly 6.5 times its size (Table C3), reflect regional and global appetite and say little about domestic demand. Sukuk do help reach a different investor group: Middle Eastern investors took 47 per cent of that sukuk but 6 per cent of the January 2021 conventional bond (Ministry of Finance, 2021; Table C4), and the 2016 private placement went entirely to Islamic investors (IIFM, 2017, p. 78). At home, individuals held only 1.7 per cent of GDBs at end-2024 (Figure 2), though a 2020 retail issue was fully subscribed (Salaam Gateway, 2020); the twelfth issue has since added a portion reserved for individuals (Oman Daily, 2026).

6.2 Demand after issuance

Demand at issue has not produced an active secondary market. Exchange trading in all MSX-listed bonds and sukuk fell from OMR 127 million in 2023 to OMR 73.9 million in 2025, about 1.5 per cent of their market value (CBO, 2025; Times of Oman, 2026; Table C5), whereas Malaysian government bonds traded 1.2 times their value in 2025, a figure that includes over-the-counter trading and is not strictly comparable (Asian Development Bank, 2026b). Series 8, the most traded sovereign sukuk in 2025, changed hands worth OMR 11.3 million, about 4 per cent of its size (Table C5). At end-2020 the sukuk vehicle's audited accounts put the fair value of every listed OMR sukuk at exactly par, suggesting no trading price had formed (Oman Sovereign Sukuk S.A.O.C., 2021).

6.3 Answer to Q2

In principle, demand depends on the requirements of Sharia, expected returns, credit risk, maturity and liquidity needs. However, the evidence from Oman is supportive of four less-than-unmistakable claims. The first claim is the strongest as it seems that demand is of the buy-and-hold type. This is evident from sukuk's attractiveness at the time of issuance; however, they are hardly traded afterwards. Moreover, banks and pension funds seem to be the main owners of the instruments (they own more than 90 per cent of GDBs), but this is only an assumption made with regard to sukuk issued after 2020. More circumstantially, given the lack of any survey of motives, demand seems more determined by liquidity needs and regulations rather than yield advantages of sukuk. Finally,

the segmented nature of demand is largely explained by the constraints that different investors are faced with; this segmentation could be observed abroad while it could just be inferred from the home market.

7. Pricing and Substitutability

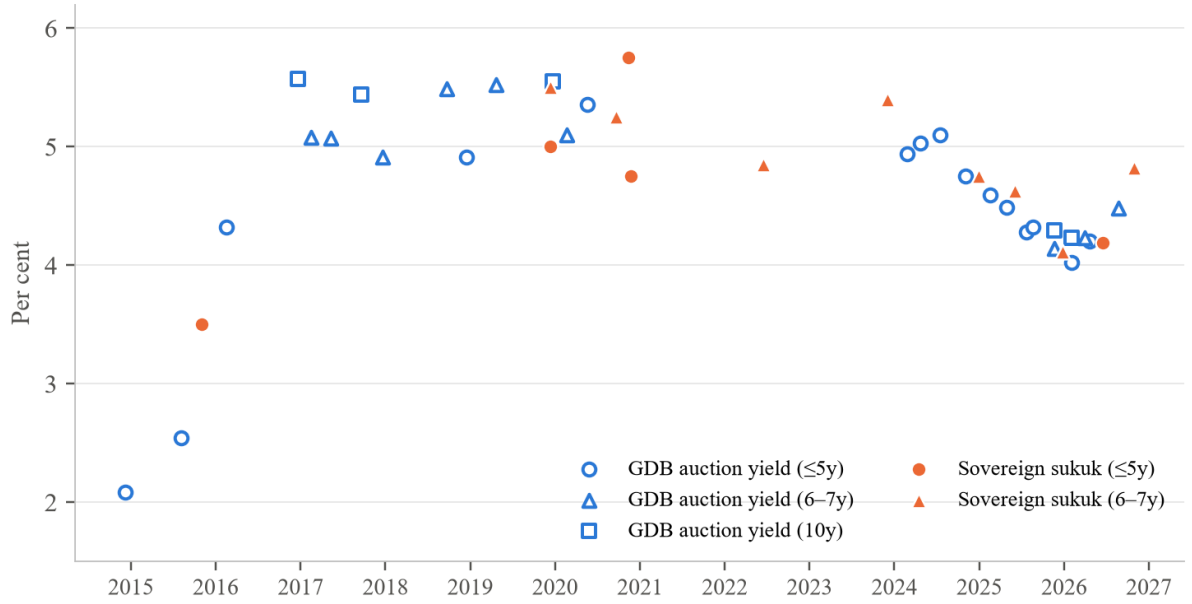
7.1 What can be measured

Secondary-market yields would best test the relationship between sukuk and conventional bonds, but domestic trading is too thin, leaving what the IMF calls a "lack of a reliable yield curve of secondary market prices/yields" (Piontek, 2025, para. 9), and no free source publishes prices for Oman's dollar sukuk or Eurobonds (conventional US dollar bonds sold to international investors). Pricing is therefore compared at issue (Section 3.2).

7.2 Domestic and international evidence

Sukuk rates have broadly tracked GDB yields, with Series IV priced above nearby auctions and the two-year retail Series V below (Figure 3); Table 3 compares pairs.

Figure 3. Primary-market yields on Omani sovereign GDBs and OMR sovereign sukuk, 2014–2026 (per cent)



Note: Average accepted auction yields where published, otherwise sukuk profit rates (Series I, II and 7 were private placements); marker shape shows maturity; GDB results for 2021–2023 not located.

Sources: CBO auction results; Ministry of Finance; Oman Sovereign Sukuk S.A.O.C. (2021); press reports in Appendix B.

Table 3. Sukuk versus conventional sovereign debt: pricing at issue

Pair	Sukuk	Conventional	Spread (bp)	Comparability
D1	Eleventh, 5y, 4.19% (Jun 2026)	GDB 83, 5y, 4.20% (21 Apr 2026)	−1	50 days apart
D2	Tenth, 7y, 4.11% (Dec 2025)	GDB 78, 7y, 4.14% (Nov 2025)	−3	About one month apart; GDB result from press, tenor inferred

Pair	Sukuk	Conventional	Spread (bp)	Comparability
D3	Ninth, 7y, 4.625% (Jun 2025)	GDB 74, 5y, 4.49% (29 Apr 2025)	+13.5	Sukuk two years longer
D4	Series 8, 7y, 4.75% (Dec 2024)	GDB 72, 5y, 4.75% (4 Nov 2024)	0	Sukuk two years longer
D5	Series II, 7y, 5.50% (Dec 2019)	GDB 63, 7y, 5.10% (19 Feb 2020)	+40	Private placement; 10y GDB 62 two weeks later: 5.55%
D6	Twelfth, 7y, 4.82% (Oct 2026)	GDB 84, 7y, 4.48% (23 Aug 2026)	+34	Two months apart; 7y US yield +32 bp
U1	USD 500m placement, 3.50% (29 Jun 2016)	5y Eurobond, 3.625% (8 Jun 2016)	+7.5	Amortizing private placement vs bullet; Brexit vote between
U2	USD 2bn, 7y, 4.397% (23 May 2017)	5y and 10y Eurobonds (1 Mar 2017), interpolated	0	12 weeks apart; rating downgrade between
U3	2024 sukuk buy-back: UST + 50 bp (19 Sep 2023)	2025 notes buy-back: UST + 55 bp (same day)	−5	Not issue pricing; fixed vs clearing spread

Notes: Spread: sukuk minus conventional yield, in basis points (bp). Domestic yields are average accepted auction yields (Series II and Debut: profit rates); USD spreads are over the US Treasury (UST) yield of matching maturity on each instrument's own pricing date. Issue labels as in Table 1; two pairs that fail the pairing rules are shown in Appendix B.

Source: Author's calculations from Appendix B.

Arrangers' claims that the 2016 and 2017 sukuk priced 15–20 and 15 basis points inside conventional benchmarks (IIFM, 2017, p. 78; Oman Observer, 2017) cannot be reproduced from public data. Across 54 same-issuer pairs, including Omani ones, Fitch found sukuk yielding 6 basis points less on average in 2025 (Gulf Daily News, 2026).

7.3 Is there a yield spread?

The findings of the preceding section regarding Q3 have determined that there is neither a consistent yield spread nor a pricing benefit for sukuk since the values of qualifying pairs can range from -5 to +40 basis points. In the best-matched pairs D1 and D2, sukuk yielded 1 and 3 basis points less.

US yields have increased following every GDB auction, hence, if Omani yields corresponded even slightly, then the figures presented above are more likely to reflect the underestimation of the sukuk's benefits rather than its overestimation. The USD pairs U1, U2, and U3 tell the same story, while D3 and D4 confirm that the sukuk is close to the GDB curve once its longer maturity is taken into account and D5 (which is a negotiated placement) confirmed a better price than the ten-year GDB which was auctioned two weeks later.

In D6 (+34), US yields increased by 32 basis points between the two auctions, and as the rial has been pegged to the dollar, one might assume that a GDB of late October would have sold for a similar price level; however, in D1, it is noted that an increase of 36 basis points left no evident consequences, which means that D6 does not resolve the issue. Between 2024 and the first half of 2026, sukuk were priced within a few basis points of the relevant GDBs, which presents an intriguing yet inconclusive situation, which will be confirmed or not by the next seven-year GDB auction.

There are several explanations that can be regarded as plausible but impossible to verify: the Ijara sukuk entail the same sovereign risk as bonds (Jobst, 2007), conventional banks can exchange their investments if the gap becomes wider, and because of the equal illiquidity, there is no liquidity premium (additional yield appearing due to the liquidity risk). In Malaysia, where conventional government bonds are traded more actively (World Bank, 2020, p. 41), Islamic sovereign bonds yield slightly more (Chen et al., 2022).

7.4 Substitutability

The notion of substitutability appears in three distinct meanings: shared risk-returns, investor behavior, and relative price responsiveness of demand (Table 4 alludes to six dimensions). Despite being theoretically substitutes by sharing issuer, credit risk, and currency, the demand for them can be very different. Apparently, conventional investors have treated them as substitutes since in 2020 commercial banks reportedly held around OMR 360 million of sukuk from the OMR 550 million outstanding (Section 6.1). Islamic banks or windows, which form about 20 per cent of banking assets, cannot acquire GDBs, while abroad sukuk and Eurobonds had different investors in 2021 (Table C4). The third meaning could not be calculated since in Oman investor type allocation is not disclosed and yield-gap observations are limited.

Table 4. Substitutability of sovereign sukuk and conventional bonds

Dimension	Evidence	Assessment
Credit risk	Ijara sukuk with a purchase undertaking at par carry sovereign credit risk, as bonds do; untested by any default	Close substitutes
Cash flows	Fixed returns; new GDBs 5–10 years, sukuk 5–7	Close substitutes; maturities partly complementary
Eligibility	Conventional investors may hold both; Sharia-compliant investors only sukuk	One-way substitutes
Regulation	Both count toward liquidity ratios; sukuk are Islamic banks' main domestic sovereign liquid asset	Substitutes for conventional banks only
Liquidity	Both held to maturity; no market-maker	Equally illiquid
Pricing	Closest pairs within 1–3 bp; +34 bp in Oct 2026 as US rates rose; co-movement (Figure 3)	Close substitutes at the margin

Source: Author's assessment.

On Q3's second part, the two may compete for some investors while serving different needs for others: close substitutes for conventional investors, not for Islamic banks, and partly complementary abroad. Cost gives no clear reason to prefer either, but small, separate series in a market far below the size McCauley and Remolona (2000) suggest even one liquid bond market needs argue for coordinating sukuk and GDB issuance (Section 10).

8. Sharia Governance and Standardization

8.1 Oman's current architecture

Oman's framework has two tracks. In banking, Royal Decree 69/2012 required each Islamic bank and window to have its own Sharia board; Part Five of the Banking Law 2/2025 now governs Islamic banking, and the CBO regulates it under its Islamic Banking Regulatory Framework (CBO, n.d.a). The CBO's High Sharia Supervisory Authority (HSSA), created by a regulation of 18 December 2013, settles disputes between those boards by binding resolution without replacing them (Central Bank of Oman Regulation BM/REG/54/12/2013; CBO, n.d.b; n.d.c). In the capital market, the Capital Market Authority's 2016 sukuk rules gave way on 21 March 2024 to a Regulation

Governing Bonds and Sukuk (Decision E/21/2024), administered since four days later by the Financial Services Authority (FSA) (Royal Decree 20/2024). The regulation reportedly covers Sharia compliance, disclosure and issuers' annual Sharia compliance reports (Piontek, 2025, para. 4; Times of Oman, 2024b); its official text could not be consulted.

In the sovereign program, documents are standard but Sharia review is not. Every rial sovereign sukuk since 2019 has used one base prospectus and the same ijara structure, yet each issue has been certified separately by its issue managers' Sharia boards, as the 2021 base prospectus shows for Series I–IV (Oman Sovereign Sukuk S.A.O.C., 2021).

8.2 International models and evidence

Governance models range from Malaysia's binding central council to Saudi Arabia's bank-level committees, and 23 countries had central Sharia boards by 2025 (LSEG, 2025, p. 65; Table C6). Evidence that centralization or standardization improves market outcomes is mostly indirect and cuts both ways. The reputation of the scholars certifying a sukuk affects how the stock market values its issuer (Godlewski, Turk and Weill, 2014), and the IFSB argues that bespoke structures raise costs and "limit standardisation and fungibility" (IFSB, 2025, p. 10). Yet Saudi Arabia, with no central board, became the world's largest sovereign sukuk issuer (LSEG, 2025, p. 53). AAOIFI's draft Shari'ah Standard No. 62 would require an enforceable legal transfer of the underlying assets and bar purchase undertakings at a fixed price in mudaraba, musharaka and wakala sukuk; Oman's ijara sukuk would feel mainly the first rule (AAOIFI, 2023, ss. 5-2-2, 5-2-5 and 6-3-2-1). Market participants warned of "substantial contractual and operational complexities, deterring both issuers and investors" (LSEG, 2025, p. 53), and in October 2026 AAOIFI still listed the standard as an exposure draft (AAOIFI, 2026). Legal certainty has also rested on governing law: in *Dana Gas PJSC v Dana Gas Sukuk Ltd* (2017) an English court upheld an English-law purchase undertaking even assuming the UAE-law documents were invalid, and *Investment Dar Co KSCC v Blom Developments Bank SAL* (2009) likewise turned on governing law and drafting.

8.3 What standardization would address: answer to Q4

The objective is to ensure consistency with flexibility to provide for diverse funding requirements, and the findings support harmonization of procedure and disclosure rather than the application of uniform doctrinal requirements. A program-wide Sharia ruling on sovereign sukuk approved by the HSSA and accepted by all Islamic financial institutions and the FSA would eliminate the need for issue by issue rulings and cover asset replacement thereby facilitating reopenings (further issues of the same sukuk issued on the same terms). A common form for disclosure of listed sukuk containing the interests of the investors in the assets, pricing basis for the purchase undertaking, governing law, and rights in case of default would help bridge the gap identified by Jobst (2007) between economic reality and legal form. Voluntary model documentation for corporate sukuk will result in lower costs of custom-made Sharia-related and legal documentation. A CBO-FSA protocol on Sharia issues will make structures eligible for the CBO's Islamic liquidity operations. AAOIFI Standard 62, to be issued, will require deliberate choice to move to that standard as opposed to automatic implementation. Centralization according to the Malaysian model would provide legal certainty and uniformity, but given that there are only seven Islamic banking entities and governmental documentation is consistent, it can be more expensive than beneficial at this stage.

In regard to the response to Q4, the answer is a non-absolute yes. These four measures would help reduce costs of reopenings, use of collateral, and corporate issuance; however, they will neither add supply nor widen the investor base nor create market-makers nor Islamic collateralized funding, which are constraints identified in Sections 6 and 7.

9. Lessons from Malaysia

Malaysia, the reference case for Q5, has a local-currency debt securities market of about 131 per cent of GDP (mid-2026); sukuk account for roughly 63 per cent of bonds outstanding (Asian Development Bank, 2026a; Bank Negara Malaysia, 2026a). The common view that it built this market after the Asian Financial Crisis to escape the double mismatch of short-term, foreign-currency borrowing needs three corrections: most of the architecture

predated the crisis; market-making was spread across dealers with obligations; and the mismatches were reduced but never eliminated.

9.1 Foundations before the crisis, acceleration after it

Government Investment Issues (GII), the Islamic counterpart of conventional Malaysian Government Securities (MGS), date from 1983, principal (primary) dealers from 1989 and an Islamic interbank money market from 1994. Malaysia suffered less than its neighbors "partly because the country already had succeeded in developing its domestic debt market", and the crisis "served to reinforce the government's decision to accelerate the development" (World Bank, 2020, p. 53). Coordination and speed followed: a National Bond Market Committee in 1999, an annual auction calendar in 2000 and binding Sharia rulings in 2009 (Table C7).

9.2 Mechanisms and outcomes

Market-making was decentralized: principal dealers must bid at auctions and quote buying and selling prices on benchmark issues, in return for privileges (Asian Development Bank, 2016, p. 58; Bond Market Sub-Committee, 2026). Regular reopenings build benchmark size (Bank Negara Malaysia, 2025a).

Demand was captive: the Employees Provident Fund (EPF), a pension fund, long had to hold at least 70 per cent of its investments in government securities (World Bank, 2018, pp. 24–25). In 2001, with buy-and-hold holdings impeding liquidity, the Capital Market Masterplan urged easing the rules "to free up its 'captive demand'" (Securities Commission Malaysia, 2001, rec. 43), and a "hold-to-maturity mentality" persisted (World Bank, 2020, pp. 83–85); in June 2026 the EPF still held 31 per cent of all MGS and GII outstanding (Bank Negara Malaysia, 2026b). Having large institutional investors does not necessarily lead to active trading.

Liquidity has been uneven: government bond turnover fell markedly in 2004–2018 and recovered only recently (World Bank, 2020, p. 85; Asian Development Bank, 2026b). Two curves attracted different investors: in June 2026 foreigners held 33.6 per cent of MGS but 6.4 per cent of GII (Bank Negara Malaysia, 2026b), a split that "risks fragmenting liquidity" (World Bank, 2020, p. 86). Nor were the mismatches eliminated; the World Bank's own word is "alleviating". About a fifth of non-financial corporate debt was still in foreign currency in 2019, and at end-2024 external debt stood at 69.7 per cent of GDP, only 31.3 per cent of it in ringgit (World Bank, 2020; Bank Negara Malaysia, 2025c).

9.3 What can be transferred to Oman

Malaysia's central government securities, about USD 300 billion, are roughly 25 times Oman's domestic government debt (author's estimate from IMF, 2026), itself far below the USD 100–200 billion at which a very liquid government bond market becomes sustainable (McCauley and Remolona, 2000). Differences in market size, savings institutions and legal arrangements mean Malaysia's approach cannot simply be transferred to Oman (Table 5).

Table 5. Transferability of Malaysian mechanisms to Oman

Mechanism	Malaysian evidence	Oman today	Transferability
Auction calendar; reopenings	29 of 37 auctions in 2026 are reopenings	Annual borrowing plan; no published calendar or debt strategy	**High.** Scale-neutral; coordinate GDB and sukuk issuance
Separate conventional and Islamic curves	MGS and GII each about half of issuance	GDBs now mainly 5 and 7 years; sukuk mostly 7	**Low as a model.** One curve suits a small market; differentiate GDB and sukuk maturities

Mechanism	Malaysian evidence	Oman today	Transferability
Principal dealers with obligations	20 dealers (7 Islamic); 60.5% of allotments	None; one under development (IMF)	**Partial.** Small panel with light obligations; a full system risks being premature
Captive pension demand	EPF 70% floor; easing urged in 2001	Pension funds must hold at least 30% in local government securities	**Already present.** Let holders lend sukuk or borrow cash against them
Binding central Sharia authority	Rulings binding since 2009	HSSA for banks; sukuk approved issue by issue	**Medium.** Scale-neutral; mutual recognition, not full centralization (Section 8)
Islamic repo and collateral framework	RM 42.6bn in 2024 after a 2024 policy	CBO qard hasan and mudaraba instruments since 2025	**High.** Lets holders raise cash against existing sukuk
Pricing agency, trade reporting, rating agencies	Single pricing agency; mandatory trade reporting	Exchange publishes trades; no pricing agency	**Medium.** Costly for a small market; exchange reporting can substitute

Sources: Section 9; Bank Negara Malaysia (2025a; 2025b); IMF and World Bank (2021); Piontek (2025); CBO (2025).

10. Recommendations and a Sequenced Roadmap

10.1 The binding constraints

Three constraints bind most tightly. The first is small, irregular and fragmented supply (Table 1; Piontek, 2025, paras. 2 and 9): about OMR 1.2 billion of sovereign sukuk at end-2025 and OMR 2.4 billion of GDBs at end-2024, spread in May 2026 across 22 GDB issues and seven sovereign sukuk listed on the MSX (Oman Observer, 2026), with no auction calendar or published debt strategy. The second is a concentrated, captive investor base that holds to maturity, partly because of regulation (Section 6). The third is the absence of intermediation: Oman has no market-makers and no active interbank repo market, the CBO's Islamic liquidity instruments date only from 2022 and 2025 (Section 5.2), and a standing deposit facility for Islamic banks was planned for the first half of 2026 (IMF, 2026, para. 22).

The weak market information and Sharia and legal costs indicated in Section 8 are secondary causes; weak demand and lack of infrastructure find little support; the issues are covered, and there are platforms of exchange, depositories, and liquidity, but there is no arrangement to keep them busy. This is not peculiar to Oman: the IFSB finds sukuk issuance generally "driven by short-term funding needs rather than a strategic objective" (IFSB, 2025, pp. 10, 53), with Oman being distinguished, however, only by its rather minor size and fast fiscal consolidation. Reforms should be size-driven: Oman's roughly USD 12 billion domestic government debt is much below the size that McCauley and Remolona (2000) suggest a single liquid government curve requires, let alone two.

10.2 Recommendations by area and stage

The analyses conducted in Sections 5 and 9 (Q5) imply recommending Malaysian systems which apply to small markets, i.e. structures that comprise approaches described in Table 5; Table 6 arranges the suggestions in three phases meeting six themes. Responsibilities reflect existing authorities: the Ministry of Finance is in charge of issuing under the Public Debt Law; the Central Bank of Oman is involved in GDB auctioning and Islamic liquidity management and is responsible for the HSSA; the Financial Services Authority is in charge of regulating bonds and sukuk; the MSX and Muscat Clearing and Depository perform transactions and clearance processes.

On issuance planning, the Ministry would first publish its debt strategy and an annual auction calendar, give GDBs and sukuk different maturities after consulting banks, pension funds, takaful (Islamic insurance) operators and fund managers, and reopen existing issues to build benchmark lines. To broaden investor participation, large holders such as the Social Protection Fund could lend securities, and a completed link to Euroclear, an international settlement system, would give non-residents access.

Regarding liquidity management and trading, the CBO and the banks would develop a framework for Islamic collateralized funding, which is a Sharia-compliant approach to repurchase agreements (repo). The system utilizes sovereign sukuk as collateral, in which banks sell sukuk for cash and at the same time promise to repurchase them at a fixed price. This means that the banks can use sukuk as collateral without the holders having to keep them. Malaysia's Islamic interbank repo increased more than threefold in the first year after the release of the 2024 policy document. The short-term Islamic government securities would enable Islamic banks to manage liquidity without needing to dispose of long sukuk, and a small panel of banks, including Islamic windows, would be able to take on light obligations to quote prices for some privileges such as giving them priority to participate in auctions.

The program-level pronouncement endorsed by the HSSA and accepted by the FSA would eliminate the issue-by-issue approval process while the CBO-FSA protocol would create compatibility between listings and eligibility by central banks, an FSA disclosure template would facilitate standardization of disclosures, and model documentation would simplify corporate and quasi-sovereign issuances. Talking about the market information, the CBO and MSX would provide sukuk ownership information by sector, sukuk only trading data and complete auction results. Sustainable sukuk in the Ministry's 2024 framework (Ministry of Finance, 2024) should be postponed till the projects are ready and the Ministry is capable of reporting about them. Information, issuance planning and documentation should be prioritized since they are inexpensive and eliminate uncertainties. Table C8 is providing the information about the lead institutions and indicators of implementation progress.

Table 6. Roadmap: recommendations by area and stage

Area	Stage 1: predictability and information (within about 12 months)	Stage 2: making sukuk liquid (one to three years)	Stage 3: broadening (three to five years)
Supply and benchmarks	Publish debt strategy and GDB/sukuk auction calendar; assign tenors; reopen lines	Continue reopenings to build benchmark size	–
Market information	Sukuk holdings by sector; sukuk-only trading data; full auction results	Standard disclosure template for listed sukuk	–
Liquidity and intermediation	–	Islamic collateralized funding (Sharia-compliant repo); short-term Islamic sovereign paper; light dealer panel	Review need for full primary dealer system
Investor base	–	Securities lending by large holders; review pension limits	Euroclear link; non-resident access
Sharia and documentation	Program-level Sharia pronouncement (HSSA + FSA)	CBO–FSA coordination protocol on Sharia matters	Model documentation for corporate and quasi-sovereign sukuk
Broadening	–	–	Sustainable sukuk when projects and reporting ready

Note: Horizons are indicative. The auction calendar comes first; collateralized funding then lets holders raise cash against their sukuk; a dealer panel follows; broader participation comes last. Table C8 gives the detailed matrix.

Source: Author.

10.3 Trade-offs and Oman Vision 2040

Three trade-offs persist. Assured issuance during budget surpluses implies incurring interest or profit payments on excess funds (IMF et al., 2013, p. 5), thus implying the roadmap would ensure greater predictability of refinancing rather than borrowing for its own sake. Replacing some bond issues with sukuk would broaden the investor base and, based on recent experience, it would not render the process of raising funds more expensive, but it should not be allowed to lead to an early demise for conventional issuance. The concentration of powers deriving from dealer privileges among only several large banks poses the risk of collusion (World Bank and IMF, 2001), hence, the panel should be light, open, and subject to monitoring.

In answer to Q6, the roadmap serves Vision 2040's call for financial deepening in the capital market and for financing models suited to private investment, especially for small and medium-sized enterprises. A traded sovereign sukuk curve is the precondition for both: the reference for pricing corporate, project and sustainable sukuk, and a liquid asset for the Islamic banks that will finance much of the private sector. The market's contribution should be judged by the investment it finances as well as by issuance growth.

11. Conclusion

In response to Q1 above, it can be noted that Oman has been successful in establishing sukuk sources of funding both domestically & internationally, an Islamic banking system and institutions for Sharia compliance and liquidity management. However, it does not have a secondary sukuk market. Some of the issues that Omani authorities face are limited and erratic sukuk supply as compared to conventional bonds, prevalence of investors who hold sukuk until maturity, absence of market makers and lack of an Islamic repo market.

Demand for sukuk is real, but does not extend much beyond banks and pension funds in terms of size (Q2). Demand seems to depend mainly on regulation and liquidity management and is somewhat based on the necessity of compliance with Sharia principles, rather than on the yield attractiveness of sukuk.

In relation to Q3, it appears that the sukuk yield spread does not maintain consistency, with evidence supporting sukuk yielding either 1–3 basis points less in the two best-matched domestic pairs or 34 basis points more in an October 2026 pair of auctions held with only a two-month gap. The next auction to be conducted for a seven-year GDB shall state whether this gap is significant or not. While the two securities are almost the same when it comes to the amount of risk taken by an investor, they are not close when it comes to the Islamic banks and windows that can invest only in sukuk.

As for Q4 the answer is yes but with some conditions. If the documentation, disclosure and Sharia review processes become more uniform, it would facilitate sukuk reopening, their use as collateral and their issuance by corporations.

In Q5, Malaysia's experience in the wake of the Asian Financial Crisis illustrates the merits of a coordinated development strategy whereby, by building on the foundations set in the 1980s, it integrates market makers obliged to provide bid and ask prices, auction calendars, reopened benchmarks, Islamic money market instruments, and a central Sharia institution. Its captive institutional demand served the market, but also hindered its liquidity. While its market is approximately twenty-five times that of Oman, the other comparators suggest that the market size depends more on the sovereign supply than on the governance structure.

In relation to Q6, Table 6 outlines the roadmap consisting of three elements: predictable issuance and enhanced data; Islamic collateralized financing, enabling sukuk owners to convert sukuk into cash, and a light dealer panel; and corporate, sustainable and international involvement. Government sukuk that are traded will support Vision 2040's plans for financial deepening by providing private borrowers with an evaluation reference and Islamic banks with liquidity, despite the fact that higher government borrowing will not be a goal in itself.

The relative pricing is better at excluding a significant spread than at measuring a small one; besides, it is not possible to distinguish the sukuk premium from the general increase in rates if the auctions are separated by two months. Investor motives are implied, some items remain unverified, and the study is directed at the sovereign market. Additional studies could estimate Oman's USD sukuk spread with the aid of daily secondary market yields data from Bloomberg or LSEG, conduct a survey of institutional investors for evaluating their motives, and study the portfolio of the Social Protection Fund once it becomes available.

Disclaimer. *The views and opinions expressed in this paper are of the author and do not necessarily reflect the official policy or position of the Central Bank of Oman or the Omani government. All the usual disclaimers apply.*

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Appendix A. Comparative Indicators for Oman and Selected Markets

The tables in this appendix give the data behind the comparison of Oman with Malaysia, Indonesia, Saudi Arabia, the United Arab Emirates and Bahrain in Section 5. All figures are taken from published sources. Reference dates differ across countries and are stated in each cell. Conversions to US dollars use official pegs (OMR 0.3845, SAR 3.75, AED 3.6725 and BHD 0.376 per US dollar) or the market rate stated. "n.p." means not published or not located; "n.v." means the figure could not be re-verified against the primary source in October 2026.

Table A1. Islamic banking: structure and size

Country	Institutions	Islamic banking assets	Share of banking assets	Sources and notes
Oman	2 full-fledged Islamic banks and 5 Islamic windows; 150 branches (end-2024)	OMR 9.16bn (≈ USD 23.8bn), end-2025; OMR 8.57bn, end-2024	c. 20% (end-2025); 19.2% (end-2024)	CBO (2025); CBO (n.d.d)
Malaysia	Islamic banks and international Islamic banks licensed under the Islamic Financial Services Act 2013 (count n.v.)	RM 1,583.3bn incl. development financial institutions; RM 1,270.0bn excluding them (end-July 2025)	38.7% (incl. development financial institutions)	Ministry of Finance Malaysia (2025)
Indonesia	14 Islamic commercial banks (BUS), 19 Islamic business units (UUS) and 174 Islamic rural banks (BPRS), March 2025 (n.v.; later snapshots may show 18 UUS and 173 BPRS)	IDR 967.33tn (≈ USD 59.7bn at IDR 16,204 per USD, 4 July 2025), end-June 2025	7.41% (June 2025)	Bloomberg Technoz (2025), citing OJK; Kontan (2025); OJK (2025a)
Saudi Arabia	Four largest Islamic banks: Al Rajhi, Alinma, Albilad and AlJazira; Islamic windows at other banks (number n.p.)	USD 913bn (≈ SAR 3,424bn), 2024	75.3% (Q3 2024); c. 76% (2025; Arab News Pakistan, 2026, citing S&P)	LSEG (2025); IFSB (2025); Arab News Pakistan (2026)

Country	Institutions	Islamic banking assets	Share of banking assets	Sources and notes
United Arab Emirates	8 Islamic banks, 16 Islamic windows and 9 Islamic finance companies (2022)	AED 1,089bn (≈ USD 296.5bn), end-2024 (Moody's data)	24% (end-2024)	CBUAE (2023); Abbas (2025)
Bahrain	15 Islamic banks (7 retail, 8 wholesale) and 7 Islamic windows (June 2025)	USD 64.5bn (≈ BHD 24.2bn), June 2025	25.6% (June 2025)	CBB (2025a; 2025b)

Table A2. Balance-sheet and prudential indicators of Islamic banks

Country	Capital adequacy	Financing / assets	Investments / assets	Deposits	Liquidity and Sources
Oman	15.8% (Dec 2023)	81.1% (OMR 6,950.5m; end-2024)	10.2% (OMR 870.4m; end-2024)	78.1% of total liabilities and equity (OMR 6,689.6m; end-2024)	LCR 248.6%; NSFR 114.6% (Dec 2023). Sources: CBO (2024), Box 2.1; CBO (2025), Table 4.11; ratios by author; Gulfbase (2025)
Malaysia	Total capital ratio 18.4%, whole banking system (end-July 2025)	78.6% (RM 997.7bn / RM 1,270.0bn; end-July 2025)	n.p.	Deposits and investment accounts RM 908.1bn, 77.3% of liabilities	LCR 158.4%, whole banking system (end-July 2025). Source: Ministry of Finance Malaysia (2025)
Indonesia (BUS + UUS)	24.99% (BUS, June 2025)	68.6% (IDR 646.51tn)	21.0% (securities, IDR 198.39tn)	76.6% of assets (third-party funds, IDR 722.03tn)	n.p. Source: OJK (2025b) (n.v.; ratios consistent with BUS + UUS assets of IDR 942.54tn)
Saudi Arabia	19.5% (ten largest listed banks, Q2 2025)	71.3% (four largest Islamic banks, June 2025)	18.1%	77.2% of assets	n.p. Sources: Alvarez & Marsal (2025); Al Rajhi Bank (2025); Alinma Bank (2025); Bank Albilad (2025); Bank AlJazira (2025); author's aggregation (n.v.)
United Arab Emirates	17.0% (June 2025)	61.6% (gross credit AED 547.0bn / gross assets AED 888.3bn)	19.6% (AED 173.8bn)	82.2% of liabilities excluding capital and reserves (AED 655.9bn)	Eligible liquid assets ratio 15.8% (June 2025). Source: CBUAE (2025)

Country	Capital adequacy	Financing / assets	Investments / assets	Deposits	Liquidity and Sources
Bahrain	Retail 23.6%; wholesale 20.0% (Q2 2025)	37.7% (claims on private non-banks)	35.4% (government and foreign securities)	n.p.	Liquid assets / total assets: retail 24.8%, wholesale 22.1% (Q2 2025). Sources: CBB (2025a; 2025b); financing and securities shares are the author's aggregation of CBB categories

Table A3. Islamic liquidity instruments and sukuk-market indicators

Country	Central bank and interbank Islamic liquidity instruments	Sukuk outstanding	Activity indicators
Oman	USD wakala placements with the CBO (since December 2022); OMR qard hasan (intraday) and restricted mudaraba instruments (2025); Islamic certificates of deposit, treasury bills and ijara sukuk planned (CBO, n.d.b; n.d.e)	All Omani sukuk USD 10.3bn (end-2025; IIFM, 2026); domestic sovereign sukuk c. OMR 1.2bn (end-2025; author's estimate)	MSX bond and sukuk trading OMR 73.9m in 2025, turnover c. 1.5% (Times of Oman, 2026)
Malaysia	Islamic interbank money market (since 1994); Islamic repo under the 2024 Islamic collateralized funding policy; BNM Islamic monetary operations (Bank Negara Malaysia, 2025b; 2026c)	Sukuk RM 1,495.7bn, 62.9% of bonds and sukuk outstanding (end-September 2026; Bank Negara Malaysia, 2026a)	Government bond turnover ratio 1.20 (2025; Asian Development Bank, 2026b); Islamic interbank repo RM 42.6bn (2024)
Indonesia	Sharia interbank money market (PUAS: SIMA, SiKA, SiPA and sharia repo, overnight to one year) under Bank Indonesia Regulation 22/9/PBI/2020; Bank Indonesia's SukBI, FasBI and SUVBI (Bank Indonesia, 2020; Kusuma, M.T., 2025)	Corporate sukuk IDR 76.75tn (July 2025; OJK, 2025c; n.v.)	PUAS volume IDR 541.72tn in 2024 (+47.66%); 51 participating banks (Kusuma, M.T., 2025)
Saudi Arabia	SAMA murabaha placements, repo of up to 100% against them since July 2015 (Saudi Central Bank, 2015)	Listed sukuk and bonds SAR 677.9bn (end-June 2025); SAR 695.8bn (Q3 2025), 97.6% government (Argaam, 2025a)	117 negotiated deals worth SAR 23.16bn on Tadawul's debt market, H1 2025 (Argaam, 2025b)

Country	Central bank and interbank Islamic liquidity instruments	Sukuk outstanding	Activity indicators
United Arab Emirates	CBUAE Islamic certificates of deposit; overnight and collateralized murabaha facilities (CBUAE, n.d.; 2026)	Bonds and sukuk USD 309.4bn, of which sukuk 20.2% (Q1 2025; Economy Middle East, 2025); Nasdaq Dubai listed sukuk above USD 100bn (end-2025; Nasdaq Dubai, 2026)	n.p.
Bahrain	Islamic wakala deposit facility; Islamic sukuk liquidity instrument; short-term salam and ijara sukuk (CBB, n.d.a)	Public Islamic debt instruments BHD 4,125.6m (USD 10,972m) of BHD 17,330.6m (USD 46,092m) public debt instruments, June 2025 (CBB, 2025b)	n.p.

Table A4. Trading and settlement infrastructure for bonds and sukuk

Country	Infrastructure	Sources
Oman	Bonds and sukuk listed on the Muscat Stock Exchange; Muscat Clearing and Depository (established 1998) provides depository, clearing and settlement; first phase of a Euroclear link operational for outbound investment	Muscat Clearing and Depository (n.d.); Piontek (2025)
Malaysia	FAST electronic auctions (1996); RENTAS real-time settlement (1999); exchange electronic trading platform for trade reporting (2008); single bond pricing agency (2004)	World Bank (2020); Asian Development Bank (2016)
Indonesia	BI-SSSS scripless settlement linked to BI-RTGS; listed sukuk traded on the Indonesia Stock Exchange and settled through KSEI; most trading over the counter	Bank Indonesia (n.d.); ASEAN+3 Bond Market Forum (2017) (n.v.)
Saudi Arabia	Tadawul debt market launched 8 April 2018 with 45 government instruments (SAR 204.4bn); Edaa depository; T+2 settlement; links to international central securities depositories	Saudi Stock Exchange (2018); Saudi Tadawul Group (2022) (n.v.)
United Arab Emirates	Nasdaq Dubai sukuk listings; Dubai Financial Market and Abu Dhabi Securities Exchange	Nasdaq Dubai (2026)
Bahrain	Bahrain Bourse on-exchange settlement T+2 delivery-versus-payment; CBB scripless securities settlement system for government securities, including Islamic securities	Bahrain Bourse (n.d.); CBB (n.d.b) (n.v.)

Appendix B. Data and Calculations for the Pricing Comparison

All calculations can be reproduced from the workbook *Oman_Sukuk_Supporting_Data.xlsx* supplied with this paper, in which spreads, cover ratios and outstanding amounts are entered as formulas. US Treasury yields are

constant-maturity par yields (FRED series DGS5, DGS7 and DGS10, identical to the US Treasury's daily par yield curve). They were checked for each date used.

Table B1. Inputs and calculations for the sukuk–conventional pairs

Pair	Sukuk input	Conventional input	Calculation and result (bp)
D1	11th sukuk: average accepted yield 4.19%, bids closed 10 Jun 2026 (Ministry of Finance, 2026a). UST 5y: 4.27%	GDB 83: average accepted yield 4.20%, 21 Apr 2026 (CBO auction result). UST 5y: 3.91%	(4.19 − 4.20) × 100 = −1. UST change between dates: +36
D2	10th sukuk: average accepted yield 4.11%, offer closed 22 Dec 2025 (Times of Oman, 2025d). UST 7y: 3.93%	GDB 78 (7y): average accepted yield 4.14%, c. 20 Nov 2025 (Gulf Daily News, 2025). UST 7y: 3.87%	(4.11 − 4.14) × 100 = −3. UST change: +6
D3	9th sukuk (7y): average accepted yield 4.625%, offer closed 1 Jun 2025 (Times of Oman, 2025b)	GDB 74 (5y): 4.49%, 29 Apr 2025 (CBO auction result)	(4.625 − 4.49) × 100 = +13.5
D4	Series 8 (7y): average accepted yield 4.75%, offer 22–25 Dec 2024 (Times of Oman, 2024c)	GDB 72 (5y): 4.75%, 4 Nov 2024 (CBO auction result)	(4.75 − 4.75) × 100 = 0
D5	Series II (7y): profit rate 5.50%, private placement, 10 Dec 2019 (Oman Sovereign Sukuk S.A.O.C., 2021)	GDB 63 (7y): 5.10%, 19 Feb 2020 (CBO auction result)	(5.50 − 5.10) × 100 = +40
D6	12th sukuk (7y): average accepted yield 4.82%, bids closed 25 Oct 2026, results 27 Oct 2026 (Oman News Agency, 2026). UST 7y: 4.89% (23 Oct)	GDB 84 (7y): average accepted yield 4.48%, 23 Aug 2026 (CBO auction result). UST 7y: 4.57% (21 Aug)	(4.82 − 4.48) × 100 = +34. UST change: +32
U1	2016 private placement: 3.50%, 29 Jun 2016 (IIFM, 2017). UST 5y: 1.03%	5y notes: 3.625% coupon, priced 8 Jun 2016 (Oman Sovereign Sukuk S.A.O.C., 2021). UST 5y: 1.23%	[(3.50 − 1.03) − (3.625 − 1.23)] × 100 = 247.0 − 239.5 = +7.5
U2	7y sukuk: 4.397%, priced 23 May 2017 (Oman Observer, 2017). UST 7y: 2.10%	5y 3.875% and 10y 5.375% notes, priced 1 Mar 2017; UST 5y 1.99%, 10y 2.46%; spreads 188.5 and 291.5, interpolated to 7y: 188.5 + 0.4 × 103 = 229.7	(4.397 − 2.10) × 100 − 229.7 = 229.7 − 229.7 = 0
U3	Tender for 4.397% 2024 sukuk: UST + 50 bp, 19 Sep 2023	Tender for 4.875% 2025 notes: UST + 55 bp, same day	50 − 55 = −5 (Sultanate of Oman, 2023)

Pair	Sukuk input	Conventional input	Calculation and result (bp)
Excluded	Debut sukuk 3.50%, 3 Nov 2015	GDB 47 2.54% (4 Aug 2015) and GDB 48 4.32% (17 Feb 2016), linear interpolation by date gives 3.36%	(3.50 − 3.36) × 100 = +14
Excluded	9y sukuk 4.875%, 8 Jun 2021; interpolated UST 9y 1.42%	10y notes 6.25%, 14 Jan 2021; UST 10y 1.15%	(345.5 − 510) = −164.5

Sources: as stated in each cell; US Treasury yields from Federal Reserve Bank of St. Louis (2026).

Table B2. GDB auction results located for this study (average accepted yields)

GDB	Auction date	Tenor (years)	Coupon (%)	Average yield (%)	Allotted (OMR m)	Source
45	9 Dec 2014	5	3.00	2.08	200.0	CBO auction result
47	4 Aug 2015	5	3.00	2.54	300.0	CBO auction result
48	17 Feb 2016	5	3.50	4.32	100.0	CBO auction result
52	15 Feb 2017	7	5.00	5.08	150.0	CBO auction result
53	10 May 2017	6	5.25	5.07	150.0	CBO auction result
54	18 Sep 2017	10	5.75	5.44	150.0	CBO auction result
55	18 Dec 2017	7	5.25	4.91	150.0	CBO auction result
58	23 Sep 2018	7	5.75	5.49	150.0	CBO auction result
59	17 Dec 2018	5	5.00	4.91	100.0	CBO auction result
60	23 Apr 2019	7	5.75	5.52	100.0	CBO auction result
62	24 Dec 2019	10	5.75	5.55	200.0	CBO auction result
63	19 Feb 2020	7	5.25	5.10	150.0	CBO auction result
64	18 May 2020	5	5.00	5.36	200.0	CBO auction result
69	25 Feb 2024	3	4.90	4.94	100.0	CBO auction result
70	23 Apr 2024	2	4.85	5.03	125.0	CBO auction result
71	14 Jul 2024	5	5.10	5.10	100.0	CBO auction result
72	4 Nov 2024	5	4.75	4.75	98.0	CBO auction result
73	16 Feb 2025	5	4.60	4.59	100.0	CBO auction result

GDB	Auction date	Tenor (years)	Coupon (%)	Average yield (%)	Allotted (OMR m)	Source
74	29 Apr 2025	5	4.60	4.49	100.0	CBO auction result
75	22 Jul 2025	3	4.30	4.28	72.7	CBO auction result
76	20 Aug 2025	5	4.35	4.32	90.0	CBO auction result
78	c. 20 Nov 2025	7	4.20	4.14	100.0	Gulf Daily News (2025)
79	c. 20 Nov 2025	10	4.35	4.29	20.0	Gulf Daily News (2025)
80	1 Feb 2026	5	4.05	4.02	100.0	CBO auction result
81	1 Feb 2026	10	4.30	4.23	25.0	CBO auction result
82	31 Mar 2026	7	4.25	4.23	87.3	CBO auction result
83	21 Apr 2026	5	4.20	4.20	100.0	CBO auction result
84	23 Aug 2026	7	4.50	4.48	100.0	CBO auction result

Notes: CBO auction results are published as individual notices at https://cbo.gov.om (Development Bonds auction results). Results for GDB 46, 49, 50, 51, 56, 57, 61, 65–68 and 77 were not located; GDB 51 (December 2016, 10y, 5.57%) is reported only in the press. Results for GDB 63, 72, 74 and 83 were checked against the original notices by the author.

Source: Central Bank of Oman, Government Development Bond auction results (various dates).

Appendix C. Supplementary Tables

The tables in this appendix give the detail behind Sections 3 to 10. Each is cited in the main text where it is relevant.

Table C1. *Research questions, evidence and methods*

Research question	Evidence used	Method	Main limitation
Q1. What progress has Oman made in developing its sukuk market, and what challenges continue to affect market depth and liquidity?	Laws and regulations; prospectuses, auction notices and results; CBO and MSX statistics; IMF and rating-agency reports	Descriptive analysis of issuance, holdings and trading, 2015–2026	Some issue-level data come from press reports and issue managers' announcements that occasionally disagree
Q2. What characterizes the demand for sukuk in Oman?	Subscription results where published (9 of 13 domestic and 2 of 5 USD sovereign sukuk); CBO holdings data; Islamic bank balance sheets; MSX trading; investor distribution for 2021 USD issues	Descriptive statistics; cover ratios; holder shares; turnover ratios	No published investor-level allocation for any domestic sukuk; holdings data for government securities exclude sukuk
Q3 (yield spread). Is there a yield spread between Omani sovereign sukuk and conventional sovereign bonds?	Issue terms of USD sukuk and Eurobonds; GDB auction results and OMR sukuk results; US Treasury par yields; Fitch's 2026 same-issuer study	Event comparisons at issue under stated pairing rules; spread over same-day US Treasury yields	No free secondary-market yields; few pairs; coupons sometimes used in place of re-offer yields
Q3 (substitutability). To what extent are sukuk and conventional sovereign bonds substitutes?	Contract structure; investor mandates and prudential rules; holder composition; pricing evidence from Q3 (yield spread); literature	Framework-based assessment along six dimensions	Too few observations for an econometric estimate of substitution
Q4. Would standardized Sharia governance and documentation help resolve the market's challenges?	Oman's legal and regulatory framework; comparator governance models; AAOIFI, IFSB and IIFM standards; court cases; empirical literature	Comparative institutional analysis	Little direct evidence on the effect of standardization on liquidity

Research question	Evidence used	Method	Main limitation
Q5. What lessons from Malaysia's experience after the Asian Financial Crisis and from other Islamic finance markets could inform a policy roadmap for Oman?	Regulatory, central bank and market sources for Malaysia, Indonesia, Saudi Arabia, the UAE and Bahrain (Appendix A); Malaysian chronology (Table C7)	Comparative analysis across six markets; transferability assessment adjusted for market size	Comparisons show how institutions were designed and what followed, not causation
Q6. How can such a roadmap support the financing priorities of Oman Vision 2040?	Findings for Q1–Q5; institutional mandates established in law; Oman Vision 2040	Sequenced roadmap by area and stage (Table 6 and Table C8)	Horizons are indicative, not official commitments

Source: Author.

Table C2. *Milestones in the development of Oman's sukuk market*

Year	Development	Source
2012	Royal Decree 69/2012 permits Islamic banking; CBO Islamic Banking Regulatory Framework; first full-fledged Islamic bank licensed	CBO (n.d.b)
2013	Six Islamic windows licensed; CBO regulation establishing the High Sharia Supervisory Authority (18 Dec)	CBO (n.d.b; n.d.c); Central Bank of Oman Regulation BM/REG/54/12/2013
2015	Oman Sovereign Sukuk S.A.O.C. incorporated (13 Aug); first OMR sovereign sukuk, OMR 250m (Nov); HSSA established	Oman Sovereign Sukuk S.A.O.C. (2021); CBO (n.d.b)
2016	CMA Sukuk Regulation (Decision 3/2016); USD 500m sovereign sukuk placed privately with Islamic investors; Omantel OMR 50m sukuk	IIFM (2017); Times of Oman (2016)
2017	Ministry of Finance Debt Management Office established; first public USD sovereign sukuk (USD 2bn, 7 years); first sukuk by an Islamic banking entity (Meethaq)	Oman Sovereign Sukuk S.A.O.C. (2021); CBO (n.d.b)
2018	USD 1.5bn sovereign sukuk (7 years)	Oman Sovereign Sukuk S.A.O.C. (2021)

Year	Development	Source
2019	OMR Sukuk Issuance Program established; Series I and II (OMR 300m)	Oman Observer (2019)
2020	Series III–V, including the first retail sovereign sukuk (OMR 25m, minimum OMR 100)	Oman Sovereign Sukuk S.A.O.C. (2021); Salaam Gateway (2020)
2021	USD 1.75bn nine-year sovereign sukuk; Muscat Securities Market becomes the Muscat Stock Exchange (Royal Decree 5/2021)	Oman Observer (2021); Royal Decree 5/2021
2022	Series 6 (OMR 150m, 7 years); CBO USD wakala liquidity instrument	Oman Daily (2022); CBO (n.d.b)
2023	Social Protection Fund consolidates public pension funds (Royal Decree 50/2023); Public Debt Law (Royal Decree 68/2023); Series 7; Energy Development Oman's first USD sukuk	Oman Sovereign Sukuk S.A.O.C. (2024); Euromoney (2024)
2024	Ministry of Finance Sustainable Finance Framework (Jan); CMA Regulation Governing Bonds and Sukuk (21 Mar); Financial Services Authority replaces the CMA (Royal Decree 20/2024, 25 Mar); S&P restores investment-grade rating (Sep); Series 8 (OMR 282m)	Ministry of Finance (2024); Royal Decree 20/2024; S&P Global Ratings (2024); Oman Sovereign Sukuk S.A.O.C. (2024)
2025	Executive Regulation of the Public Debt Law; Banking Law 2/2025 consolidates Islamic banking rules; ninth and tenth issues (OMR 300m); USD 1bn 7.5-year sukuk; CBO electronic platform for qard hasan and restricted mudaraba liquidity instruments	Ministerial Decision 231/2025; CBO (n.d.a); Times of Oman (2025a; 2025b; 2025d); Finance Middle East (2025); IIFM (2026)
2026	Eleventh issue (OMR 120m, 5 years); twelfth issue (OMR 150m, 7 years) with a retail tranche and quarterly profit payments (October)	Ministry of Finance (2026a); Oman Daily (2026); Oman News Agency (2026)

Note: Series numbering follows the Ministry of Finance's OMR sukuk program of 2019; the 2015 debut issue sits outside the program.

Table C3. *Oman's US dollar sovereign sukuk*

Issue	Priced	Size (USD m)	Tenor	Profit rate (%)	Order book (USD m)	Notes
Private placement	29 Jun 2016	500	6 years (amortizing)	3.500	n.a.	100% placed with Islamic investors; matured Jul 2022
2024 sukuk	23 May 2017	2,000	7 years	4.397	> 6,900	Mid-swaps + 235 bp; matured Jun 2024

Issue	Priced	Size (USD m)	Tenor	Profit rate (%)	Order book (USD m)	Notes
2025 sukuk	Oct 2018	1,500	7 years	5.932	n.a.	Initial price talk c. mid-swaps + 300 bp; matured Oct 2025
2030 sukuk	8 Jun 2021	1,750	9 years	4.875	c. 11,500	47% Middle East; banks 37%
2033 sukuk	Oct 2025	1,000	7.5 years	4.525	n.a.	US Treasuries + 60 bp; concurrent tender for 2026 notes

Sources: Oman Sovereign Sukuk S.A.O.C. (2021); IIFM (2017; 2026); Bloomberg (2017); Oman Observer (2017; 2021); Reuters (2018); Ministry of Finance (2021); Finance Middle East (2025).

Table C4. *Investor distribution of Oman's 2021 international issues (% of allocation)*

Investor category	10-year Eurobond (priced 14 Jan 2021)	9-year sukuk (priced 8 Jun 2021)
UK and Europe	58	32
United States	32	15
Middle East	6	47
Asia	4	6
Fund managers	92	59
Banks and private banks	6	37
Others	2	4

Source: Ministry of Finance (2021), *Sultanate of Oman Investor Update*, September 2021, slide 20.

Table C5. *Secondary-market activity in Omani bonds and sukuk listed on the MSX*

Indicator	2022	2023	2024	2025
Trading value, bonds and sukuk (OMR m)	58	127	90.5	73.9
Market value at year-end (OMR m)	n.a.	n.a.	4,308	4,916
Turnover ratio (trading value / year-end market value, %)	n.a.	n.a.	2.1	1.5
Trading in Series 8 sovereign sukuk (OMR m)	–	–	–	11.3

Note: Trading value covers bonds and sukuk together; no sukuk-only annual series is published. Turnover ratios are the author's calculations. Malaysia's government bond turnover ratio was 0.82 in 2024 and 1.20 in 2025 (over-the-counter and exchange, excluding repo), so the two series are not strictly comparable.

Sources: CBO (2025), Table 4.6(b); Times of Oman (2026); Asian Development Bank, AsianBondsOnline turnover data (accessed October 2026).

Table C6. *Sharia governance models in Oman and comparator markets*

Country	Central Sharia body	Legal effect	Standards and documentation
Oman	CBO High Sharia Supervisory Authority (regulation of Dec 2013; operational 2015)	Binding on disputes between licensees' boards; institution-level boards remain primary	IBRF aligned with AAOIFI and IFSB standards; sovereign sukuk under one program prospectus; annual Sharia compliance reports for listed sukuk
Malaysia	BNM Shariah Advisory Council (1997); SC Shariah Advisory Council (1996)	Binding on institutions and referring courts; prevails over institutions' committees (CBA 2009, ss. 56–58)	Shariah parameter and contract policy documents since 2009
UAE	Higher Shari'ah Authority at the central bank (2018 law; now Federal Decree-Law 6 of 2025)	Binding standards for licensed institutions	AAOIFI standards mandatory
Bahrain	CBB Centralised Shari'a Supervisory Board	Prevails over licensees' boards in a conflict	AAOIFI standards required
Saudi Arabia	None	Bank-level committees under SAMA's 2020 framework	No market-wide documentation standard
Indonesia	DSN-MUI (1999)	Fatwas are the basis of banking and capital-market rules	National fatwas define product standards

Notes: The UAE and Bahrain entries are drawn from official sources consulted earlier in this research; the current texts could not be re-opened in October 2026 because the sites blocked access.

Sources: CBO (n.d.a; n.d.c); Central Bank of Malaysia Act 2009; Saudi Central Bank (2020); LSEG (2025, pp. 53, 65); Piontek (2025, para. 4).

Table C7. *Malaysia's bond and sukuk market: a verified chronology*

Date	Measure	Function
Jul 1983	Government Investment Issues (GII) introduced	Sharia-compliant sovereign paper for Islamic banks' liquidity
Dec 1986	Cagamas established (first bonds 1987)	Mortgage refinancing; addressed banks' maturity mismatch
Jan 1989	Principal dealer system for government securities	Underwriting of auctions and two-way quotes

Date	Measure	Function
1990 / 1995	RAM (1990) and MARC (incorporated 1995) rating agencies; mandatory ratings from 1992 (removed 2017)	Credit information for corporate issues
Jan 1994	Islamic interbank money market	Short-term Islamic liquidity management
May 1996 / May 1997	Shariah Advisory Councils of the Securities Commission and BNM	Central Sharia reference points
Sep 1996; Sep/Oct 1997	FAST auction system; bond information system (BIDS)	Primary-market efficiency; price transparency
Jul 1997 – 1998	Asian Financial Crisis; Danaharta, Danamodal and corporate debt restructuring (1998); capital controls (Sep 1998; replaced by an exit levy in Feb 1999); ringgit peg (Sep 1998 – Jul 2005)	Crisis resolution, partly funded through bond issuance
1999	National Bond Market Committee; RENTAS settlement system (Jul)	Coordination; real-time delivery-versus-payment settlement
Mar 2000; Jul 2000	First annual auction calendar; Securities Commission becomes single regulator of corporate bonds	Predictable supply; regulatory clarity
Feb 2001; 2001	Capital Market Masterplan; Financial Sector Masterplan	Ten-year reform programs
2004	Bond pricing agency; Securities Commission guidelines on Islamic securities (26 Jul)	Valuation; sukuk framework
Mar 2008	Exchange electronic trading platform replaces BIDS reporting	Trade reporting and transparency
Jul 2009	Islamic principal dealers (six full-fledged Islamic banks)	Market-making in Islamic sovereign paper
25 Nov 2009	Central Bank of Malaysia Act 2009 in force; SAC rulings binding and prevailing (ss. 56–58)	Legal certainty for Sharia rulings
30 Jun 2013	Islamic Financial Services Act 2013 in force	Contract-based regulation of Islamic finance
28 Aug 2014	Sustainable and Responsible Investment Sukuk Framework	Sustainable sukuk

Sources: Bank Negara Malaysia (n.d.); Securities Commission Malaysia (2001; 2004; 2014); World Bank (2020); Kaplan and Rodrik (2001); Central Bank of Malaysia Act 2009.

Table C8. *Roadmap: problem, mechanism, responsibility, horizon, trade-offs and indicators*

Measure	Problem addressed	Mechanism	Lead institution(s)	Horizon	Prerequisites, costs and trade-offs	Indicator of progress
Publish Medium-Term Debt Management Strategy and annual GDB/sukuk auction calendar	Irregular, unpredictable supply	Lets investors plan; signals commitment to the curve	MoF (DMO); Public Debt Management Committee	Stage 1	Reduces issuance flexibility; requires a borrowing plan that survives oil-price swings	Strategy and calendar published; share of issues held as scheduled
Assign tenors between GDBs and sukuk; reopen existing lines	Fragmentation into many small lines	Larger, fewer benchmark lines; one coordinated curve	MoF; CBO as auction agent	Stage 1 onward	Reopenings need fungible terms and, for sukuk, an asset pool and Sharia approval covering taps	Average outstanding size per benchmark line; share of issuance via reopenings
Publish sukuk holdings by sector, sukuk-only trading and full auction results	No market information	Allows valuation and monitoring	CBO; MSX; MoF	Stage 1	Low cost; confidentiality at investor level	Data series published quarterly
Program-level Sharia pronouncement recognized by HSSA and FSA	Issue-by-issue approval; collateral eligibility	Lowers approval cost; supports taps and collateral use	MoF; CBO (HSSA); FSA	Stage 1	Requires agreement among institutions' Sharia boards	Pronouncement issued; time from announcement to settlement
Islamic collateralized funding framework and CBO facilities accepting sovereign sukuk	Holders cannot raise liquidity without selling	Turns sukuk into usable liquidity; reduces need to hoard	CBO; banks	Stage 2	Legal and Sharia documentation; operational capacity	Volume of Islamic repo-type transactions; CBO facility use against sukuk

Measure	Problem addressed	Mechanism	Lead institution(s)	Horizon	Prerequisites, costs and trade-offs	Indicator of progress
Short-term Islamic sovereign instruments	No short-term Sharia-compliant liquidity asset	Separates liquidity management from long-term holdings	MoF; CBO	Stage 2	Adds a line to manage; needs suitable assets or structures	Amount outstanding; number of Islamic banks participating
Dealer panel with light quoting obligations and privileges	No market-making	Two-way prices in benchmark lines	MoF; CBO; participating banks	Stage 2	Cost to dealers; collusion risk in a small market; needs repo to finance positions	Number of quoting dealers; quoted bid–ask spreads; MSX turnover ratio
Securities lending by large holders; review of pension investment limits	Captive buy-and-hold holdings	Puts idle holdings to work; supports long end	Social Protection Fund and its supervisors	Stage 2	Counterparty and operational risk; governance approval	Lending volumes; holdings beyond 10 years
CBO–FSA coordination protocol on Sharia matters	Structures accepted for listing may not be eligible for CBO operations, and vice versa	Common eligibility for liquidity operations and listing	CBO (HSSA); FSA	Stage 2	Inter-agency agreement; must respect each body's mandate	Protocol agreed; share of listed sukuk eligible for CBO operations
Standard disclosure template for listed sukuk	Uneven information on investor rights and structure	Comparability; investor protection	FSA	Stage 2	Drafting cost; must not obscure real differences between structures	Template adopted; share of new issues using it
Model documentation for corporate and quasi-sovereign sukuk	High fixed cost of first issues	Lowers transaction cost and time	FSA; market participants	Stage 3	Voluntary use; adaptation of international templates	Number of first-time issuers; issuance cost and time

Measure	Problem addressed	Mechanism	Lead institution(s)	Horizon	Prerequisites, costs and trade-offs	Indicator of progress
Euroclear link and foreign access	Negligible non-resident participation	Widens investor base	MCD; MSX; MoF	Stage 3	Exposure to foreign flows; needs a liquid curve to attract investors	Non-resident share of government securities
Sustainable sukuk under the 2024 framework	Unused framework	Finances eligible projects; widens investor base	MoF	Stage 3, when projects are ready	Reporting capacity; no assumed pricing benefit	Issuance and allocation and impact reports
Review need for a full primary dealer system	Possible later need	Formal market-making if volumes justify	MoF; CBO	Stage 3	Premature system can leave market illiquid	Decision based on volume and turnover thresholds

Notes: MoF = Ministry of Finance; DMO = Debt Management Office; MCD = Muscat Clearing and Depository; MSX = Muscat Stock Exchange; HSSA = High Sharia Supervisory Authority.

Source: Author, drawing on Sections 4–10; IMF (2026); Piontek (2025); IFSB (2025); IMF and World Bank (2021).