

SUKUK

Sukuk For Liquid Assets

Is it permissible to issue Sukuk for liquid assets?

It is permissible to issue Sukuk for liquid assets, however, they may only be sold on face value and not for a greater or lesser amount as that would constitute riba.

The Conditions For Sale Of Sukuk

What minimum percentage of a Sukuk must be fixed assets?

If the Sukuk represent a combination of fixed and liquid assets, it is imperative that the fixed assets make up at least 10% of the entire business.

Definition Of Sukuk

What is the definition of Sukuk?

Sukuk is an Arabic term and a plural of the word Sakk which means 'certificate.' Sukuk are defined as certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services. Sukuk may be issued for various Islamic banking products such as Ijarah, Musharakah, Murabaha, Salam and Istisna.

Ijarah Sukuk

What are the different forms of Ijarah Sukuk?

Sukuk may be issued for the following Ijarah categories:

Sukuk for the transfer of ownership of the leased asset

These Sukuk are issued for the eventual transfer of ownership of the leased asset to the lessee at the end of the period of lease.

Sukuk for the ownership of the usufruct of an asset

These are issued with the aim of leasing the asset so that the holder of the Sukuk becomes the owner of the usufruct of the asset.

Sukuk for the ownership of services

The purpose of these Sukuk is to provide services so that the holder of the Sukuk becomes the owner of these services.

Ijarah Sukuk can be traded at market price or any other price mutually agreed upon by the lessor and the lessee.

Musharakah Sukuk

What are Musharakah Sukuk?

These Sukuk are issued with the aim of using funds for the establishment of a new project, the development of an existing project or financing a business activity on the basis of a partnership contract. Every subscriber is given a Musharakah certificate which represents his proportionate ownership in the Musharakah asset. This certificate can be bought and sold in the market. The profit in a Musharakah is shared according to an agreed ratio whereas loss is shared in proportion to the ratio of investment. A Takaful reserve is created for the Musharakah to mitigate the risk of loss to Sukuk holders.

Diminishing Musharakah Sukuk

What are Diminishing Musharakah Sukuk?

These Sukuk represent the proportionate share of partners in the joint ownership of an asset. The financial institution or investor leases and gradually transfers its share of ownership of the asset to the client. The lessee uses the investor's share and by the end of the Musharakah, redeems and assumes ownership of it.

Murabaha Sukuk

What are Murabaha Sukuk?

The Murabaha is a sale in which the cost of acquiring the asset and the profit to be earned from it are disclosed to the client. Murabaha Sukuk are issued for the purpose of financing the purchase of goods through the Murabaha so that the certificate holder becomes the owner of the Murabaha commodity. Murabaha Sukuk cannot be sold or purchased in the secondary market.

Salam Sukuk

What are Salam Sukuk?

The Salam is a sale for which the price is paid in full for goods to be delivered at a future date. Holders of the Salam Sukuk are owners of the Salam goods and are entitled to receive income generated from their sale or the sale of Salam certificates. It is prohibited to trade Salam Sukuk during the term of the Salam as the underlying asset is a debt that is created based on an advance payment of the sales price.

Guaranteeing Sukuk Assets

Is it permissible for a Sukuk originator to guarantee the Sukuk assets and profit distribution shortfalls given the Sukuk issuer/SPV, is a subsidiary/related company?

No, however it is allowed only if a third party that is not related to the Sukuk issuer guarantees it.