

SUKUK: SOME CONCEPT

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ABSTRACT

In 2002, the jurisprudence committee of the Islamic Development Bank recommended the concept of "sukuk" for Islamic financial instruments. Juridical Standard No 17 of the Islamic Financial Institution accounting & auditing organisation, defined Sukuk as "The certificate of equal nominal value after underwriting operation confirm the payment of the fornamed nominal amount to a publisher on a certificate by the purchaser and its owner shall be the owner of one or more of the assets of the project or its beneficiary.

INTRODUCTION

Linguistically, şukuk is an Arabic term. Şukuk is plural of şak, and it has other two plural forms: şikak and aşuk. For the purpose of simplicity, the term şukuk is used both the plural and singular form depending on the context. In common market parlance, the term şukuk is used to refer to a financial instrument that is structured based on the unique 30 features of Islamic finance and mainly utilised for the purpose of funding, investment, and liquidity management. Şukuk are also known by other names in academic literature such as investment certificates, investment trust certificates, şukuk securities, Islamic bonds, and Islamic securities. However, using the term şukuk interchangeably with the last two terms is misleading; appending the word 'Islamic' in front of the terms 'bonds' and 'securities' does not assist in defining the nature of şukuk. Safari, Ariff, and Mohamad have criticised the tendency of modern Islamic finance press to use the term Islamic bond. They argue that the crucial features of şukuk are lost when the term Islamic bond is used instead.

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