SHARIAH STRUCTURED PRODUCTS

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Shariah Structured Product: An Overview

- Shariah structured products consist of both securitisation and derivatives
- While securitisation or taskik deals with securities as a form of fund raising which are tradable on the secondary market, derivatives deal with risk management tools
- In a nutshell, Islamic securities may be of receivables-based or asset-based or asset-backed. While many modern legislation is clear on both receivables-based and asset-backed securities, a more refined laws and regulators on asset-based securities need to be made and improved particularly in the case of default and the right to recourse to the asset
- Derivatives, being the latest innovation in the financial space, needs more robust laws and guidelines particularly after the global financial crisis in 2008 – 2009.
ISLAMIC DERIVATIVES AND CONVENTIONAL DERIVATIVES

- Forward contract
- Future contract
- Options
- Swaps
SHARIAH STRUCTURED PRODUCTS AND THE COUNTRY LEGAL SYSTEM – SOME SELECTED ISSUES

• Wa’d (promise / undertaking) either to buy / sell a currency or a commodity under a Murabahah / Tawarruq structure
• Set-off mechanism in Swaps transactions
• Short sale transactions
• Selling an asset prior to its possession
• Options premium and its tradibility
• “Islamic Investment Certificates”
CONCLUSION REMARKS

• Perception towards Islamic derivatives and Islamic structured products
• Standardisation of agreements
• Capital guaranteed funds vs Capital protected funds
• The need for a clear distinction between objectives of investment and risk management in structured products
THANK YOU

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