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Contents

CORPORATE GOVERNANCE FOR ISLAMIC BANKING SUSTAINABILITY AND CAUX ROUND TABLE PRINCIPLES <i>Khaliq Ahmad</i>	1
DISPUTE RESOLUTION MECHANISMS IN THE ISLAMIC FINANCE INDUSTRY IN MALAYSIA: TOWARDS A LEGAL FRAMEWORK <i>Engku Rabiah Adawiah Engku Ali, Umar A. Ozoni, Adewale Abideen Adeyemi, Nor Razinah Binti Mohd. Zain</i>	19
REPLICATION OF SHORT SELLING IN ISLAMIC FINANCE <i>Aznan Hassan Sarfraz Dawar Khan</i>	41
SHARI'AH RISK MANAGEMENT FRAMEWORK FOR ISLAMIC FINANCIAL INSTITUTIONS <i>Ruimi Hassan</i>	67
THE APPLICATION OF TANAZUL AND ITS SHARI'AH ISSUES IN EQUITY-BASED SUKUK <i>Aznan Mohd Noor, Muhammad Navir Haron Sri Zuraitan Mohammad</i>	87
THE LEGAL AND BENEFICIAL OWNERSHIP CONUNDRUM IN SOVEREIGN SUKUK STRUCTURING <i>Umar A. Ozoni</i>	111
EMBEDDED OPTIONS AND THE ISSUE OF GHARAR: EMPIRICAL EVIDENCE FROM MALAYSIA <i>Razali Haron</i>	149
FOREIGN OWNERSHIP, EFFICIENCY AND SOLVENCY: ANALYSIS OF TAKAFUL FIRMS IN THE GCC REGION <i>Adewale Abideen Adeyemi, Zarinah Hamid, Asyfa Adeyinka Dauda</i>	173
ECONOMIC SECURITY REQUIRES MONETARY AND PRICE STABILITY: ANALYSIS OF MALAYSIAN MACROECONOMIC AND CREDIT DATA <i>Adam Abdullah</i>	205
SALE OF GOODS AND SALE OF DEBTS: A COMPARATIVE ANALYSIS <i>Buerhan Saifi and Adam Abdullah</i>	249
ISLAMIC COOPERATIVE: AN ALTERNATIVE TO COMMERCIAL ISLAMIC BANKING <i>Richard Gerald Gonsalves Salina H. Kasim</i>	273
NOTES ON CONTRIBUTORS	293

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THE APPLICATION OF *TANĀZUL* AND ITS SHARĪAH  
ISSUES IN EQUITY-BASED *ŞUKŪK*

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**Abstract**

*There are number of product innovations in Islamic capital market instruments particularly in Şukūk using the equity based contract; mushārahah, muḍārahah and wakālah bi al istithmar. Within the Islamic parameter of these contracts, there is not to be determination of return or possible arrangement for these that may lead to guaranteeing the return of any partners in mushārahah and muḍārahah. Conventional bond usually offers a fixed income determination for their bond structures and issuance. This raises issue as to whether the şukūk equity based structure may have the same implication. This is where the tanāzul may play its role to give effect in şukūk structuring using mushārahah, muḍārahah and wakālah bi al istithmar contracts to offer a similar feature of fixed income instrument. This paper attempts to ascertain the status of tanāzul in equity based şukūk from the Shariah perspective. The paper will analyze the use of the concept of tanāzul in şukūk structures and its implications on the validity of the equity based şukūk transactions.*

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