THE APPLICATION OF TANĀZUL AND ITS SHARĪ'AH
ISSUES IN EQUITY-BASED SUKŪK

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Abstract

There are number of product innovations in Islamic capital market instruments particularly in Sukūk using the equity based contract: mushārakah, muḍārabah and waqālah bi al īṣṭihmār. 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 mushārakah and muḍārabah. Conventional bond usually offers a fixed income determination for their bond structures and issuance. This raise issue as to whether the sukūk equity based structure may have the same implication. This is where the tanāzul may play its role to give effect in sukūk structuring using mushārakah, muḍārabah and waqālah bi al īṣṭihmār contracts to offer a similar feature of fixed income instrument. This paper attempts to ascertain the status of tanāzul in equity based sukūk from the Sharī'ah perspective. This paper will analyze the use of the concept of tanāzul in sukūk structures and its implications on the validity of the equity based sukūk transactions.

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