Paper Title:

Shariah Rooting of Financial Engineering and Evaluation of some of its Applied Models

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Background of the Study

- Financial markets have proceeded in two stages; the first stage, commercial banks then joined money markets.

- The need for financial engineering arises either in response to investment opportunities according to the aspirations of investors and institutions together, or to deal with international competition restrictions, in this it is considered a financial hedging tool.

- The continuous change in the financial and investment environment leads to the necessity of searching new financial tools and products described as lower cost, no risk, and higher return. The financial engineering contains many multi-groups of these new financial tools.

Problem Statement

Main Issue:

▸ The entry of intermediaries into the contractual process imposing some new and varied contracts, this development was accompanied by some violations of Islamic law such as simulated contracts. In what has recently been dubbed "financial engineering

▸ This study identifies the most serious issues with these contracts and clarifies their Shariah structure by describing the most relevant Shariah regulations governing contracts formation and renewal in Islamic jurisprudence

Research Objectives

1. Evaluating Islamic financial Engineering models.

2. Study identifies the most serious issues with these contracts and clarifies their Shariah structure by describing the most relevant Shariah regulations governing contracts formation and renewal in Islamic jurisprudence.

Literature Review

The Contracts Buildings They Rely on in Their Transactions

- Development in financial markets and financial engineering has taken some paths that the contract's building and its truth. These tracks can be summarized as follows:

- Invoking conditions to set aside contract requirements. The crux of the issue in financial engineering is not the prohibition of the terms in contracts but rather the expansion of restrictive conditions that limit the contract's effects (El Sebhani, 2019). The rule of Sharia in this is the prohibition of conditions that contradict the requirements of contracts.

- Invoking a promise and granting contract power when the contract cannot be concluded. This resulted in a new term called "binding promise, such as selling the specification and promising to exchange" (Hammad, 2010) A binding promise is a way for banks to avoid taking risks.

- Adopting Al-Musharakah and al- Ijarah to be pure means of proof of zero-risk debts. As is the case in the construction of contracts Al-Ijarah muntahia bittamleek and diminishing musharakah

- Contract engineering to achieve the goal of financing from banks regardless of economic addition, Such as organized Tawarruq contracts, and reverse Tawarruq which has become part of the behavior of Islamic banks in some countries with the declaration of its illegality in many Shariah bodies. (Shawamreh, 2013)

- Disrupting the legal rule (Al-ghunm bil-ghurm) and (al-kharaaj bil-dhamaan) by suspending or deporting the guarantee, and creating a third party to donate the guarantee.

## Factors to Reveal the Corruption of Fate in Financial Engineering:-

1- Reviewing the damages that may be caused to the individual, as a result of entering into multi-lateral or complex contracts in themselves, and this shall be through the courts.
2- Evaluating financial performance according to indicators of Islamic finance and economy and monitoring the damage to society, whether directly or indirectly.

Type of Contract	The possibility of its application in contemporary financial engineering
Witnessing , Foreclosure	Solution to the problem of the documentation required by the commercial credit
Financial companies (Anan) (Mudarabah) (Joint Stock Company)	To solve the problem of finances,
Mudarabah contract	Unify the mutual need between money and work within an integrated contract
Forward Sale, instalment sales	Solve the buyer's lack of liquidity
Alsilm	It came to solve the financing and marketing problems,
Investment Sukuk	Risk reduction, asset diversification, liquidity management
Istisna'a Contract	It enhances work, production and industry

Evaluating Islamic Financial Engineering Models:

- **Murabaha Model:** This model re-engineering Murabahah sale to buy something through a contract (Al Suwailem, 2007) to participate as follows:

◦ **Agency paid model :** this model is based on re-engineering the depositors 'relationship with the Islamic bank from the joint mudarabah relationship that raises an application problem, which is the issue of temporal overlap.

◦ **Model Ijarah Bonds Described in Al-Dimah :** Qahf (1990) stated that Ijarah bonds are an innovative type of Islamic bond, It combined the bond as a financial instrument, the lease contract and the Salam contract And its mechanism is that the service is described in the dhimma, such as university education
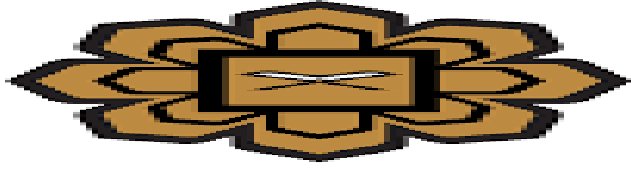
Research Methodology

The Results of the Study

▶ Financial engineering is an economic necessity for avoiding risks and managing financial liquidity.

▶ Financial contracts, such as options contracts, futures contracts, and organized tawarruq contracts, have been established that contradict Sharia's intent in the utilitarian addition.

▶ The main motivation for financial engineering is the goal of hedging, and hedging means protecting capital and avoiding risks, which is incompatible with the rule of (gain in fines) (and exclusion by guarantee)

▶ There are models proposed that are complete in terms of perception but require further evaluation, particularly in terms of the procedural aspect.

Thank You