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Application of blockchain information technology in Ṣukūk trade

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Abstract

Author keywords

SciVal Topics

Metrics

Abstract

Purpose: This study aims to explore the opportunities and challenges in activating a Smart Contract to enhance the efficiency and effectiveness of Ṣukūk offerings in the Islamic capital market.

Design/methodology/approach: The study adopts a mono-method qualitative approach. Data were obtained from survey interviews of two issuances on the fusion of smart contracts in Ṣukūk structures that were Shari'ah-compliant. A thematic approach was further used to analyze the interview data based on the onion research method while opportunities and challenges of activating the Smart Ṣukūk (SṢ) relied on doctrinal evidence. **Findings:** The results from the issuances across two jurisdictions showed that deployment of SṢ can resolve contractual ambiguities arising from Shari'ah interpretations, jurisdictional policies and legal regime issues, which affect Ṣukūk origination and issuances especially on the right of investors in the event of Ṣukūk defaults. Although SṢ is automated, the third party's presence is not eliminated as the blockchain platform still relies on the validators who are usually blockchain developers functioning as a third party in the Ṣukūk chain. Research

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limitations/implications: The study relies on doctrinal literature to explain the features and requirements of SŞ. The empirical approach is limited to interview data based on local SŞ issuances. Future studies need to explore regulators' role and global standards in cross-border issuance of SŞ with multiple jurisdictions/laws. Practical implications: The paper concludes that the offering of SŞ using local currency has been successful in the two issuances because of the facilitative regulatory environment. However, addressing Şukūk's challenges in cross-border offerings would require guidance from international standard-setters such as the Accounting and Auditing Organization for Islamic Financial Institutions and the Islamic Financial Services Board. Originality/value: This study is an advanced application of smart contracts to alleviate the related Şukūk challenges in the Islamic capital market. © 2021, Emerald Publishing Limited.

Author keywords

Blockchain ; Sharī'ah-compliance; Smart Şukūk; Şukūk challenges

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