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Islamic Banking and Finance Against Conventional



Edited by
Saim Kayadibi



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Chapter 8

Islamic Bond (Sukuk) in the Contemporary Economic and Finance Life

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and Saim Kayadibi

Introduction

Sukuk (سكك), its plural is Sakk (سكك)- which means legal instrument, deed, check; is an Arabic name for financial certificate or Islamic equivalent of bond. Sukuk securities are structured to comply with the Islamic law and its investment principles to replace bond which contains the permissible elements for example like charging or paying of interest and uncertainty of income (gharar). Sukuk financing resembles the similarly religious concept of gemach or Jewish interest-free loans, which subscribe to both the positive Torah commandment of lending money and the Torah prohibition against charging interest on a loan. Such religiously-inspired non-interest loan systems can be quite mystifying for outsiders. A good analogy is one of ethical or green investing. Empirical evidence shows that sukuk were a product extensively used during medieval Islam for the transferring of financial obligations originating from trade and other commercial activities. The essence of sukuk, in the modern Islamic perspective, lies in the concept of asset monetization - the so called securitisation - that is achieved through the process of issuance of sukuk. Sukuk constitutes partial ownership in a debt (Sukuk Murabaha), asset (Sukuk Al Ijara), project (Sukuk Al

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