

Abstract

Islamic securities (Sukuk) are hybrid securities bearing features of stocks and bonds, altogether. Similar to stocks, they indicate a type of partnership and holders of Sukuk will be considered as the owners of underlying asset or project for finance of which, Sukuk have been issued. Theoretically, these holders share any loss and profit resulted from underlying asset. However, these securities usually bear a maturity date like bonds and contrary to stocks. The holder has no voting right or control over the underlying asset. In case of bankruptcy and contrary to the shareholders, holder benefits from priority right over underlying asset, in comparison to other creditors. Practically and contrary to the initial theory in consideration of Sukuk (sharing in loss and profit), nowadays some of these securities are usually of fixed revenue and any probable risk resulting from decrease being made in the value of underlying asset will be covered by the issuer or originator, through insurance companies. Nowadays, new forms of Sukuk such as convertible, preference, subordinated and perpetual Sukuk have been developed, features of which are very similar to hybrids. Considering special nature of Sukuk, indicating partial ownership of its holder over related underlying asset or project, somehow we may use these new hybrid tools to prevent prevailing risks related to other securities and hybrids, such as credit and bankruptcy risks; and, we may use them more in financing and attracting capital, globally.

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An Introduction to Islamic Securities (Sukuk)

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