



سازمان بورس و اوراق بهادار  
SECURITIES & EXCHANGE ORGANIZATION

# SEO Shariah Board's View on Islamic Treasury Bills

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# Introduction



- Issuing bonds particularly treasury bills (TB) is a common way when the governments in conventional markets face budget deficit. These securities that represent government debts, are tradable in secondary markets
- TB's most important functions are as follows:
  1. Financing government budget deficit
  2. Providing short term investment instruments
  3. Determining a benchmark rate in the market
  4. Appropriate financial instrument for monetary policy



# Introduction



- Since these securities are structured based on Qard (borrow) with Riba (interest) mechanism, they are not applicable in a fully fledged Islamic finance market such as Iran
- Therefore designing a suitable instrument which is deemed acceptable to Shariah requirements is necessary
- The government of Iran seeking for 8% growth has tens of billion dollars of debts (Dayn) due to the private sector; mainly the contractors. In order to help the government to achieve its goal and lessen its debts burden, Bay Al-Dayn could be the best solution that would form the building block for Islamic Treasury Bills (ITB)



# Shariah View on Bay -Al Dayn



## A. Bay-Al Dayn to debtor (Government)

- Selling deferred (Muajjal) or due (Hal) debt to the debtor for deferred payment is not allowed as this is a case of Bay-Al Dayn to Dayn; according to the opinion of majority of Shia and Sunni scholars
- Selling deferred (Muajjal) or due (Hal) debt to the debtor for spot payment is acceptable according to all Shia and majority of Sunni scholars



# Shariah View on Bay –Al Dayn



## B. Bay- Al Dayn to third party

- Selling deferred (Muajjal) or due (Hal) debt to third party for deferred payment is not allowed as this is a case of Bay- Al Dayn to Dayn; according to the opinion of majority of Shia and all Sunni scholars
- Selling deferred debt (Muajjal) to third party for spot payment is controversial case among Shariah scholars. However majority of Shia scholars consider it as a valid transaction
- Selling due (Hal) debt to third party for spot payment is allowed according to the opinion of majority of Shia scholars and a group of Sunni scholars



# Shariah View on Bay –Al Dayn



- To summarize, in SEO Shariah Board's view the followings are permissible:
  - ✓ Selling of **deferred** (Muajjal) or **due** (Hal) debt to debtor for **spot payment**
  - ✓ Selling of **deferred** (Muajjal) or **due** (Hal) debt to third party for **spot payment**



## Istifta on ITB



- Is it permissible to pay government debt with ITB?
- Is it permissible to sell ITB with discount?
- Is ITB's tradability permissible?

**The Iranian Shia Mufties' answer to all above questions is**

**“Yes”!**



# Conclusion



## I. Definition of ITB:

These securities that are issued by Iran Ministry of Economic Affairs and Finance have the following features:

- ✓ Represent real government (deferred/due) debts to contractors, banks (ex. CBI and Gov. banks), and other non government companies
- ✓ Sellable to the government or third parties on discount basis and for spot payment
- ✓ Tradable in the secondary markets





# Conclusion



## 2. The main difference between ITB & TB:

- TB securities are bought by investors
- ITB securities are given to government creditors directly and they can sell them to investors through an exchange (here: Farabourse)

However in both; treasury is responsible to pay the nominal value to the owner on due date



# Conclusion



## 3. Benefits of issuing ITB:

The Iranian ITB that is built upon the Shariah principle of Bay-Al Dayn are appropriate instruments for:

- ✓ Paying off the government's debts and stimulating the economic growth
- ✓ Figuring out the real risk free rate in Iran economy
- ✓ Providing effective instruments for short term risk free investment and implementing monetary policy
- ✓ Helping the government to have financial discipline



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