

***Islamic Capital Markets  
Asset types and instruments and their  
use for investments***

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# The role of an efficient capital market in the economic development of a country.

- Resource Mobilization
- Liquidity in the market
- Transparency
- Opportunity to construct diversified portfolios

## Primary and Secondary Markets

- Primary : to raise new capital
- Secondary : securities to be bought / sold

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# Main categories

## Equity

- Debt

## Islamic Capital Markets

### Some differences:

- Practice of Margin Accounts
- Speculative Trading
- Practice of short selling

# EQUITIES

- Limited liability structure of a company
- Trading of monetary assets

## **Broad parameters of individual equity company investment**

- Sharia compatibility of business
- Existence of debt
- Interest income
- Liquidity test for trading of shares
- Issue of Preferred shares, warrants, options etc tradability

## **Equity Funds**

- A big growth opportunity
- Obstacles / hindrances

## **Other types of Funds**

- Commodity Funds
- Real Estate

## **Debt Securities**

- Issue of trading of debt
- Trading of assets
- Emergence of Sukuk

# Sukuk

- Main contract under Mudarabah (trust financing).
- SPV
- Asset backed security, pool of assets tangible or non tangible securitized
- SPV buys assets and issues certificates to investors
- SPV leases the assets to a lessee for periodic rental payments
- Credit enhancement possibility
- Investors get periodic payments like coupons if income is received
- On maturity assets sold to the originator under put option

# Sukuk structures / types

- Ijarah Sukuk comprising leased assets
- Salam Sukuk
- Istisna Sukuk
- Murabaha Sukuk
- Mudarabah Sukuk
- Mushraka Sukuk
- Tradability of Sukuk



# Sukuk Statistics

- Issuance per year peaked at USD 150 bln
- Total Issuance to date USD 1000 bln
- Domestic markets : 74%
- Currency of issuance : MYR 55% , USD 30%, SR 12%
- Issuance by Region : SE Asia 68%, Middle East 29%, Europe 2%

# Sukuk Funds

- An opportunity
- Open / closed end
- Benefit of much wider participation by investor types
- Helping primary and secondary markets
- Risk controls through ratings of individual holdings
- Ability to make opportunistic moves to enhance return and control risk
- Periodical distribution of returns

THANK YOU

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