

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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معهد المصارف الإسلامية  
**Institute of Islamic Banking**

# NEED FOR GLOBAL UNIFORM FRAMEWORK FOR ISLAMIC FINANCIAL INSTRUMENTS:

## A CASE STUDY OF *Sukuk al-Ijara*

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A thesis submitted in partial fulfilment of the requirements for the  
MS degree in Islamic Banking and Finance



**University of Management  
and Technology**



**School of Advanced Studies**  
*-The Cutting-Edge of Knowledge*



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## CERTIFICATE OF APPROVAL

The thesis entitled *Need for global Uniform Framework for Islamic Financial Instruments (A case study of Sukuk al-Ijarah)* has been accepted in partial fulfillment of the requirements for the degree of MS in Islamic Banking and Finance by the Institute of Islamic Banking, School of Advanced Studies, University of Management and Technology, Lahore, Pakistan.

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## DECLARATION

I hereby declare that no portion of the work that appears in this study has been used in support of an application for another degree in qualification to this or any other University or institution of higher learning.

This thesis is a presentation of my original research work. Wherever contributions of others are involved, every effort has been made to indicate this clearly, with due reference to the literature and acknowledgement of collaborative research and discussions.

The work was done under the guidance of Professor Dr. Munawar A Anees, Founding Director General, Institute of Islamic Banking and Dean, School of Advanced Studies, University of Management and Technology, Lahore, Pakistan.

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In my capacity as supervisor of the candidate's thesis, I certify that the above statements are true to the best of my knowledge.

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## DEDICATION

This thesis is dedicated to my parents and family for their endless support and encouragement throughout the course of this work.

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**February 2014**

**Abdul Rafay Siddique**



## ABSTRACT

Islamic financial instruments are confronted by many difficulties due to non-existence of a uniform global framework. A particular problem in developing this framework is the existence of different *madhahib* within Islam. This research aims to discuss the urgent need to develop a sound and robust universal framework that would prove helpful in creating uniform acceptability of Islamic financial instruments. To provide a basis for conclusion of this problem, this author selected an Islamic financial instrument *Sukuk al-Ijarah*. It was analyzed why there existed a need for the development of a robust and comprehensive framework for globalization of Islamic financial instruments which should be acceptable to all stakeholders. Moreover, specific steps are also analyzed that must be taken to issue *Sukuk al-Ijarah* that is acceptable to all *madhahib*. It was in this context that research was conducted using secondary sources and data was collected for *Sukuk al-Ijarah* issued by all the *madhahib*. Data was collected for twenty *Sukuk al-Ijarah*, basic differences among *madhahib* were highlighted and then analyzed for few variables to see the possibility of convergence. The results of this study showed that global *Sukuk al-Ijarah* can be issued as there were many similarities in the rulings among the four Sunni *madhahib* and Shia *madhab*. These results were used to find the stipulations of a global *Sukuk al-Ijarah* that did not raise problem with followers of any *madhab*. Ingredients were determined that would help make a truly global *Sukuk* security; a model which can then be replicated for other securities. Thus, an asset-backed *Sukuk*, with fixed rental, transfer of both usufruct and title on an Islamic underlying, passed to an independent Special Purpose Vehicle (SPV), without guarantee of principal or profit is most probably going to be acceptable by all *madhahib*.



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