

# ISLAMIC CAPITAL MARKET

## Capital Market

- 1. STOCK MARKET
- HALAL COUNTERS FOR ISLAMIC SHARES
- 2. BOND/NOTES (SUKUK):SECURITIES
- CONVENTIONAL AND ISLAMIC
- 3. DERIVATIVES
- CONVENTIONAL AND ISLAMIC

## SECURITISATION

- Securitisation is a process transforming an illiquid asset into a tradable security that renders the illiquid asset the liquidity features by deployment or creation of some market mechanism.
- Borrowers have direct access to the capital market and no financial intermediation.
- Issuers are able to liquidate their positions or to opt for better investment opportunities

## CONVENTIONAL SECURITIES

- 1. DEBENTURE BOND- STRAIGHT FORWARD AND SIMPLE. THROUGH LOAN.
- DEBT SECURITIES
- 2. MORTGAGE BOND- ASSET BACKED SECURITIES

## ISLAMIC SECURITIES

- **SYARIAH OBJECTIVES**
- The financing must be executed under any underlying financing contracts permitted under syariah
- Formalise the debt under the contract or pool the debts under various contracts
- Securitize the debt via the issuance by the financed parties or certificates of debt or debt securities.

## ISLAMIC BOND

- **1. ISLAMIC PRIVATE DEBT SECURITIES**
- **MURABAHAH NOTES ISSUANCE FACILITIES-MUNIF**
- **BBA ISLAMIC DEBT SECURITIES-BAIDS**
- **2. ISLAMIC ASSET BACKED SECURITIES.**
- **MUDHARABAH CAGAMAS BOND**

## FEATURES OF SECURITIES

- 1. IT MUST CREATE INDEBTEDNESS
- 2. IT MUST BE SECURITISED
- 3. IT MUST BE TRADABLE IN THE SECONDARY MARKET.
- 4. PARTIES- a. Issuer b. Arranger or agent c. Underwriters d. tender panel members. E. subscriber (primary level) f. investor (secondary level)

## ADVANTAGES OF SECURITIES

- 1. Cost of borrowing much cheaper than the bank borrowing.
- 2. It will benefit the subscriber because bond guarantees liquidity.
- 3. Ability to show the real position or stability of the issuer.

## ISLAMIC PRIVATE DEBT SECURITIES

- IPDS-instrument to provide liquidity both for the issuer and investor or subscriber.
- Securitization followed by sale of debt.
- Issue of liquidity.
- Evidence of debt issued by company with a promise to pay the profit/coupon over a fixed time period or the principal selling price at the end of a specific period.

## ISLAMIC ASSET-BACKED SECURITIES

- It is a financing method accomplished by the issuance of securities that are supported with the asset backed by well defined and steady income streams.
- Asset normally include mortgages.
- These assets are removed from the balance sheet of the issuer and transferred to a special vehicle purpose.
- The SPV will in turn issue securities that will be backed by the assets transferred from the issuer.

Thank You

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