
Advanced Certificate in Sukuk Market Development

Sukuk Structures and Mechanisms

Sukuk Structures and Mechanisms Glossary

1. Ijarah Sukuk

Ijarah Sukuk is a type of Sukuk that represents ownership in an underlying asset that is leased to a lessee in exchange for rental payments. The lessor issues Sukuk certificates to investors, who receive a share of the rental income generated by the underlying asset. Ijarah Sukuk are commonly used for financing real estate, equipment, or infrastructure projects.

Related Terms: Ijarah, Sukuk, Lessee, Lessor

Example: A company issues Ijarah Sukuk to finance the construction of a new office building. Investors purchase the Sukuk certificates and receive periodic rental payments from the company, which is the lessee of the building.

2. Musharakah Sukuk

Musharakah Sukuk are Sukuk certificates that represent ownership in a joint venture or partnership between investors and the issuer. The profits generated by the underlying business or project are shared among the partners based on their respective ownership stakes. Musharakah Sukuk are often used for financing large-scale projects that require significant capital investment.

Related Terms: Musharakah, Sukuk, Profit Sharing, Partnership

Example: A government issues Musharakah Sukuk to fund the development of a new infrastructure project. Investors become partners in the project and receive a share of the profits generated by the project in proportion to their investment.

3. Mudarabah Sukuk

Mudarabah Sukuk are Sukuk certificates that represent an investment in a profit-sharing partnership between investors (Rab al-Maal) and an entrepreneur or manager (Mudarib). The profits generated by the partnership are distributed among the partners based on a pre-agreed profit-sharing ratio. Mudarabah Sukuk are commonly used for financing entrepreneurial ventures or business expansions.

Related Terms: Mudarabah, Sukuk, Profit Sharing, Entrepreneur

Example: A startup company issues Mudarabah Sukuk to raise capital for launching a new product. Investors provide the funding as Rab al-Maal, while the company's founder acts as the Mudarib responsible for managing the business. Profits generated by the new product are shared between the investors and the founder according to the agreed profit-sharing ratio.

4. Wakalah Sukuk

Wakalah Sukuk are Sukuk certificates that represent an investment managed by a Wakil (agent) on behalf of the investors. The Wakil is responsible for investing the funds in accordance with the terms and conditions specified in the Sukuk issuance documents. Wakalah Sukuk are often used for short-term financing or investment opportunities.

Related Terms: Wakalah, Sukuk, Agent, Investment

Example: An investment fund issues Wakalah Sukuk to raise capital for investing in a portfolio of stocks and bonds. The fund's manager acts as the Wakil and makes investment decisions on behalf of the Sukuk holders. The returns generated by the investment portfolio are distributed to the investors based on their respective ownership shares.

5. Istisna'a Sukuk

Istisna'a Sukuk are Sukuk certificates that represent ownership in a contract for the manufacture or construction of a specific asset. The Sukuk proceeds are used to finance the production or development of the asset, which is then delivered to the Sukuk holders upon completion. Istisna'a Sukuk are commonly used for financing large-scale manufacturing projects or infrastructure development.

Related Terms: Istisna'a, Sukuk, Manufacturing, Construction

Example: A government issues Istisna'a Sukuk to raise funds for the construction of a new airport. Investors purchase the Sukuk certificates, and the proceeds are used to finance the construction project. Once the airport is completed, the Sukuk holders receive ownership of the asset and may benefit from any future revenue generated by the airport.

6. Murabahah Sukuk

Murabahah Sukuk are Sukuk certificates that represent ownership in a commodity or asset purchased by the issuer on a cost-plus-profit basis. The Sukuk proceeds are used to acquire the asset, which is then sold to the Sukuk holders at a markup price. Murabahah Sukuk are commonly used for trade finance or asset-backed financing.

Related Terms: Murabahah, Sukuk, Cost-Plus-Profit, Asset Purchase

Example: A corporation issues Murabahah Sukuk to finance the purchase of raw materials for its manufacturing operations. The issuer buys the raw materials at cost and sells them to the Sukuk holders at a markup price. The Sukuk holders receive ownership of the raw materials and may choose to hold or sell them for a potential profit.

7. Commodity Murabahah Sukuk

Commodity Murabahah Sukuk are Sukuk certificates that represent ownership in a commodity purchased by the issuer on a cost-plus-profit basis. The commodity serves as the underlying asset for the Sukuk issuance and is typically stored in a designated warehouse. Commodity Murabahah Sukuk are commonly used for commodity trading or inventory financing.

Related Terms: Commodity Murabahah, Sukuk, Cost-Plus-Profit, Warehouse

Example: A trading company issues Commodity Murabahah Sukuk to finance the purchase of a shipment of wheat. The company buys the wheat at cost and sells it to the Sukuk holders at a markup price. The wheat is stored in a warehouse and serves as collateral for the Sukuk certificates until they mature.

8. Hybrid Sukuk

Hybrid Sukuk are Sukuk certificates that combine multiple Shariah-compliant structures or mechanisms to achieve specific financing objectives. Hybrid Sukuk may incorporate elements of Ijarah, Musharakah, Mudarabah, or other Sukuk structures to create a customized investment product. Hybrid Sukuk are often used for complex financing arrangements or innovative investment opportunities.

Related Terms: Hybrid Sukuk, Shariah-Compliant, Customized, Investment Product

Example: A financial institution issues Hybrid Sukuk that combine elements of Ijarah and Musharakah structures to finance a mixed-use real estate development. Investors receive rental income from the leased properties and share in the profits generated by the partnership, providing a diversified revenue stream.

9. Sukuk Al-Istithmar

Sukuk Al-Istithmar are Sukuk certificates that represent ownership in an investment project or business venture. The Sukuk proceeds are used to finance the acquisition or development of income-generating assets, such as real estate, infrastructure, or operating businesses. Sukuk Al-Istithmar are designed to provide investors with a return on their investment through rental income, profit sharing, or asset appreciation.

Related Terms: Sukuk Al-Istithmar, Investment Project, Income-Generating Assets, Return on Investment

Example: A private equity firm issues Sukuk Al-Istithmar to raise capital for acquiring a portfolio of commercial properties. Investors purchase the Sukuk certificates and receive a share of the rental income generated by the properties, as well as any capital gains realized from the sale of the assets.

10. Sukuk Al-Ijarah Al-Muntahia Bittamleek

Sukuk Al-Ijarah Al-Muntahia Bittamleek, also known as Sukuk Al-Ijarah Mawsufah Fi Al-Dhimmah, are Sukuk certificates that represent ownership in a lease-to-own transaction. The Sukuk proceeds are used to finance the acquisition of an asset, which is leased to the issuer with an option to purchase at the end of the lease term. Sukuk Al-Ijarah Al-Muntahia Bittamleek provide investors with a fixed income stream and the potential for capital appreciation.

Related Terms: Sukuk Al-Ijarah Al-Muntahia Bittamleek, Lease-to-Own, Fixed Income, Capital Appreciation

Example: A real estate developer issues Sukuk Al-Ijarah Al-Muntahia Bittamleek to fund the construction of a residential complex. Investors purchase the Sukuk certificates, and the proceeds are used to build the complex, which is then leased to the developer. At the end of the lease term, the developer has the option to purchase the property from the Sukuk holders at a pre-agreed price.

11. Sukuk Al-Mudarabah

Sukuk Al-Mudarabah are Sukuk certificates that represent an investment in a profit-sharing partnership

between investors and an entrepreneur or manager. The profits generated by the partnership are distributed among the partners based on a pre-agreed profit-sharing ratio. Sukuk Al-Mudarabah are structured to provide investors with a share of the profits earned by the entrepreneur or manager.

Related Terms: Sukuk Al-Mudarabah, Profit Sharing Partnership, Entrepreneur, Profit Sharing Ratio

Example: A technology startup issues Sukuk Al-Mudarabah to raise capital for developing a new software application. Investors provide the funding as Rab al-Maal, while the startup's founder acts as the Mudarib responsible for managing the project. Once the application is launched and generates revenue, the profits are shared between the investors and the founder according to the agreed profit-sharing ratio.

12. Sukuk Al-Musharakah

Sukuk Al-Musharakah are Sukuk certificates that represent ownership in a joint venture or partnership between investors and the issuer. The profits generated by the underlying business or project are shared among the partners based on their respective ownership stakes. Sukuk Al-Musharakah provide investors with a share of the profits earned by the partnership.

Related Terms: Sukuk Al-Musharakah, Joint Venture, Profit Sharing, Ownership Stakes

Example: A renewable energy company issues Sukuk Al-Musharakah to finance the development of a solar power plant. Investors become partners in the project and receive a share of the profits generated by the plant based on their investment. The Sukuk holders benefit from both the financial return and the positive environmental impact of the renewable energy project.

13. Sukuk Al-Murabahah

Sukuk Al-Murabahah are Sukuk certificates that represent ownership in a commodity or asset purchased by the issuer on a cost-plus-profit basis. The Sukuk proceeds are used to acquire the asset, which is then sold to the Sukuk holders at a markup price. Sukuk Al-Murabahah provide investors with a fixed return on their investment based on the agreed profit margin.

Related Terms: Sukuk Al-Murabahah, Cost-Plus-Profit, Fixed Return, Investment

Example: A manufacturing company issues Sukuk Al-Murabahah to finance the purchase of machinery for expanding its production capacity. Investors purchase the Sukuk certificates, and the proceeds are used to acquire the machinery, which is then leased back to the issuer. The Sukuk holders receive a fixed rental income based on the cost-plus-profit arrangement.

14. Sukuk Al-Istisna'

Sukuk Al-Istisna' are Sukuk certificates that represent ownership in a contract for the manufacture or construction of a specific asset. The Sukuk proceeds are used to finance the production or development of the asset, which is then delivered to the Sukuk holders upon completion. Sukuk Al-Istisna' provide investors with a return on their investment through the sale or lease of the completed asset.

Related Terms: Sukuk Al-Istisna', Manufacturing, Construction, Return on Investment

Example: A government issues Sukuk Al-Istisna' to raise funds for the construction of a new transportation infrastructure project. Investors purchase the Sukuk certificates, and the proceeds are used to build the infrastructure. Upon completion, the infrastructure is leased or sold to generate revenue for the Sukuk holders.

15. Sukuk Al-Wakalah

Sukuk Al-Wakalah are Sukuk certificates that represent an investment managed by a Wakil (agent) on behalf of the investors. The Wakil is responsible for investing the funds in accordance with the terms and conditions specified in the Sukuk issuance documents. Sukuk Al-Wakalah provide investors with a return on their investment based on the performance of the investment portfolio managed by the Wakil.

Related Terms: Sukuk Al-Wakalah, Investment, Agent, Return on Investment

Example: An asset management company issues Sukuk Al-Wakalah to raise capital for a diversified investment portfolio. Investors purchase the Sukuk certificates, and the proceeds are entrusted to the company as the Wakil for managing the portfolio. The returns generated by the investments are distributed to the Sukuk holders based on their respective ownership shares.

16. Sukuk Al-Ijarah

Sukuk Al-Ijarah are Sukuk certificates that represent ownership in an underlying asset that is leased to a lessee in exchange for rental payments. The lessor issues Sukuk certificates to investors, who receive a share of the rental income generated by the underlying asset. Sukuk Al-Ijarah provide investors with a regular income stream based on the lease payments.

Related Terms: Sukuk Al-Ijarah, Lease, Lessee, Lessor

Example: A leasing company issues Sukuk Al-Ijarah to finance the acquisition of a fleet of commercial aircraft. Investors purchase the Sukuk certificates and receive periodic rental payments from the airline, which is the lessee of the aircraft. The Sukuk holders benefit from a stable income stream generated by the lease agreements.

17. Tawarruq Sukuk

Tawarruq Sukuk are Sukuk certificates that represent ownership in a commodity purchased on a deferred payment basis. The commodity is sold to the issuer at a higher price, which is paid in installments over a specified period. Tawarruq Sukuk are commonly used for short-term financing or liquidity management purposes.

Related Terms: Tawarruq, Sukuk, Commodity Purchase, Deferred Payment

Example: A financial institution issues Tawarruq Sukuk to raise funds for its working capital needs. Investors purchase the Sukuk certificates, and the proceeds are used to buy a commodity such as gold or silver. The institution repurchases the commodity from the Sukuk holders at a higher price, allowing it to access immediate cash flow to meet its financial obligations.

18. Sukuk Al-Khas

Sukuk Al-Khas are Sukuk certificates that represent ownership in a specific asset or project designated by the issuer. The Sukuk proceeds are used to finance the acquisition or development of the designated asset, which serves as the collateral for the Sukuk issuance. Sukuk Al-Khas are structured to provide investors with a direct claim on the underlying asset.

Related Terms: Sukuk Al-Khas, Specific Asset, Collateral, Direct Claim

Example: A government issues Sukuk Al-Khas to raise capital for the construction of a new public infrastructure project. Investors purchase the Sukuk certificates, and the proceeds are used to build the infrastructure. The completed project serves as the collateral for the Sukuk holders, who have a direct claim on the asset in case of default or liquidation.

19. Sukuk Al-Mudarabah Al-Muqayyadah

Sukuk Al-Mudarabah Al-Muqayyadah are restricted Mudarabah Sukuk certificates that limit the scope of the investment activities permitted by the Mudarib. The Mudarib is restricted to investing the Sukuk proceeds in specific assets or projects approved by the Sukuk holders. Sukuk Al-Mudarabah Al-Muqayyadah aim to provide investors with greater control over the use of their funds and mitigate investment risks.

Related Terms: Sukuk Al-Mudarabah Al-Muqayyadah, Restricted Mudarabah, Investment Activities, Investment Risks

Example: A financial institution issues Sukuk Al-Mudarabah Al-Muqayyadah to raise capital for investing in a portfolio of ethical and socially responsible projects. Investors specify the types of projects in which the Mudarib can allocate the funds, ensuring that the investments align with their values and risk tolerance.

20. Sukuk Al-Musharakah Al-Muqayyadah

Sukuk Al-Musharakah Al-Muqayyadah are restricted Musharakah Sukuk certificates that limit the scope of the partnership activities permitted by the partners. The partners are restricted to engaging in specific business ventures or projects approved by the Sukuk holders. Sukuk Al-Musharakah Al-Muqayyadah aim to provide investors with greater oversight and control over the use of their funds in the partnership.

Related Terms: Sukuk Al-Musharakah Al-Muqayyadah, Restricted Musharakah, Partnership Activities, Oversight

Example: An investment fund issues Sukuk Al-Musharakah Al-Muqayyadah to raise capital for investing in a diversified portfolio of renewable energy projects. Investors have the authority to approve or reject specific projects proposed by the fund manager, ensuring that their funds are allocated to environmentally sustainable and socially responsible initiatives.

21. Sukuk Al-Mudarabah Al-Mushtarakah

Sukuk Al-Mudarabah Al-Mushtarakah are joint Mudarabah Sukuk certificates that combine the investment contributions of multiple Rab al-Maal in a single investment pool managed by a Mudarib. The profits generated by the partnership are shared among the Rab al-Maal based on their respective ownership shares. Sukuk Al-Mudarabah Al-Mushtarakah allow investors to diversify their investments across a range of projects or assets.

Related Terms: Sukuk Al-Mudarabah Al-Mushtarakah, Joint Mudarabah, Investment Pool, Diversification

Example: A venture capital firm issues Sukuk Al-Mudarabah Al-Mushtarakah to raise funds for investing in a portfolio of startup companies. Investors contribute capital to the investment pool, which is managed by the firm as the Mudarib. The profits generated by the successful startups are distributed among the investors based on their investment shares.

22. Sukuk Al-Musharakah Al-Mushtarakah

Sukuk Al-Musharakah Al-Mushtarakah are joint Musharakah Sukuk certificates that combine the investment contributions of multiple partners in a shared business venture or project. The profits generated by the partnership are distributed among the partners based on their respective ownership stakes. Sukuk Al-Musharakah Al-Mushtarakah enable investors to participate in the profits and risks of a diversified portfolio of projects or assets.

Related Terms: Sukuk Al-Musharakah Al-Mushtarakah, Joint Musharakah, Shared Investment, Profit Sharing

Example: A real estate investment trust (REIT) issues Sukuk Al-Musharakah Al-Mushtarakah to raise capital for acquiring a portfolio of income-generating properties. Investors become partners in the REIT and receive a share of the rental income and capital appreciation generated by the properties in proportion to their investment. The Sukuk holders benefit from a diversified portfolio of real estate assets.