Global Sukūk and Islamic securitization market: Financial engineering and product innovation. By Muhammad al-Bashir Muhammad al-Amine. Leiden: Brill, 2012, pp. xv+465. ISBN: 978-90-04-20267-2 (Hardcover).

Reviewer: Aliyu Dahiru Muhammad, Department of Economics, Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia. Email: alitahir797@yahoo.com.

Ṣukūk or Islamic bond is the major component of contemporary Islamic finance industry that is characterised by a double digit growth. It is an instrument used by the governments and corporations to raise funds using securities such as bonds and notes that are *Sharīʿah* compliant. Several types of *ṣukūk* exist such as *ijārah*, *muḍārabah*, *mushārakah*, *al-salam* and *istiṣnāʿ* but the dominant is *ṣukūk ijārah* which is based on the sale and lease back concept whereby the owner of the asset will sell the asset to the *ṣukūk* Special Purpose Vehicle (SPV) for a cash payment and will subsequently lease back the asset from the SPV by paying rental over a certain agreed period. *Ijārah ṣukūk*'s dominance is due to its flexibility. It is similar to conventional asset backed securitization mechanism. As at July, 2012, the Global issuance of *ṣukūk* stood at 57.9 USD billion 75 per cent of which is sovereign *ṣukūk*. The industry is recognised by major global financial centres such as Luxembourg, London, Hong Kong and Dubai.

The book under review by al-Amine presents *ṣukūk* and its major related areas. The book is timely when 85 per cent of the current *ṣukūk* are accused of being non-asset backed, thus regarded as unsecured debt just like conventional bond (Zawya, 2013, April 15. The booming *ṣukūk* industry: A source of worry? Retrieved April 30, 2013 from www.zawya.com). The study highlights various dimensions of *ṣukūk* at national and global levels. It is spread over 10 chapters. In the introduction, the author demonstrates the growing interest as well as the size of Islamic finance particularly *ṣukūk*. The author highlights the reasons for the acceptance of *ṣukūk* outside the Muslim countries, as institutions like Standard and Poor's maintain that Islamic finance is resilient to crisis because its principles prohibit investment in structures and interest-based products that are susceptible to collapse. The UK government believes that the development of Islamic finance in the West will help combat social exclusion and maintain UK's position as the hub of Islamic finance in the West. It is stated that from the West to the East, institutions and governments are taking measures to accommodate and benefit from what the industry offers. Thus, both Muslims and non-Muslim countries are eager to issue *ṣukūk* worth millions of dollars.

In chapter three, the author explores the *Sharīʿah* issues surrounding the *ṣukūk* such as sources of the *Sharīʿah* and their interpretations on the permissibility of *ṣukūk*, resolutions of Fiqh Academy, Accounting and Auditing Organization for Islamic Financial Institutions (AAOFI) standard guidelines, *Sharīʿah* boards and different *fatāwā* (legal pronouncements) on the same issue. Here, the author highlights the inability of the Islamic Fiqh Academy, after 20 years of recommendations on *ṣukūk,* to come up with final resolution on the matter. According to him, this indicates institutional deficiencies that require drastic change. It was recently that the head of AAOFI, Sheikh Taqi Usmani, stated that 85 per cent of all *ṣukūk* do not fully comply with *Sharīʿah* (p. 117). The author, however, analyses the original statement of Taqi Usmani. The main points addressed in the paper are i) doubts about representation of ownership of *ṣukūk,* ii) returns distribution to *ṣukūk* holders as performance is based on LIBOR, iii) manager`s promise to buy *ṣukūk* at maturity, and iv) International rating agencies that have *Sharīʿah* questionable criteria. According to Al-Amine, in reality many companies trade shares and called it *ṣukūk*. Yet, the position of Taqi Usmani made AAOFI to review and release additional recommendations in line with his position to make *ṣukūk* realise *Maqāṣid al Sharīʿah* as stated there.

Chapter four and five describe mainly *ijārah* and profit and loss sharing *ṣukūk* structures. The author outlines the general characteristics of modern ijārah *ṣukūk* that any Islamic financial institution would follow to tap the potentials of the *ṣukūk*. Sale and buy back is discussed and different views are analysed. The author cites examples of Malaysian Global *Ṣukūk* worth USD600 million (June, 2002), Qatar Global *ṣukūk* of USD700 million (September, 2003), Government of Dubai *Ṣukūk* of USD 1billlion, Pakistan International Sukuk worth USD600 million (2005), German Saxony-Anhalt-Sukuk of Euro100 million and the first and second IDB *Ṣukūk* Trust Certificates of USD400 million and USD500 million respectively that both received AAA rating. On the other hand, Dubai Metals and Commodities company issued 5 years *ṣukūk mushārakah* worth USD200 million in

2005. This represents a departure from the dominance of *ijārah ṣukūk* at the international level.

Chapter six compares *ṣukūk* with securitization and argues that *ṣukūk* should be more close to securitization than mere conventional bond. According to the author, "financing can generally only be raised in a form that is linked to identifiable assets and in a principle *ṣukūk* should therefore, take the form of notes or certificates that represent ownership of an underlying pool of assets" (p. 243). Most of the *ṣukūk,* however, have more in common with conventional unsecured lending than with conventional asset-backed securities (ABS) as there is no true sale in most of the transactions of *ṣukūk*. Various examples are cited on Islamic securitizations such as caravan 1 *ṣukūk* in Saudi Arabia worth SR102 million, and Tamweel *ṣukūk* in Dubai worth USD220 million.

The next chapter discusses the governing law in *ṣukūk* structure. Rightly at the beginning, the author confessed that most of the legislations where *ṣukūk* is applied including Muslim countries follow English law. Whenever dispute arises the parties must agree to seek legal action in a particular legal framework. It is argued, therefore, that courts across the globe should recognise the need to apply *Sharīʿah* in cases of Islamic finance disputes. This position may be tough given the composition of societies with their respective cultures and worldviews. Perhaps alternative dispute resolutions might be the best option in short term and medium term.

Similarly, chapter eight focuses on *Sharīʿah* compliance harmonisation and governance. The author states that *Sharīʿah* compliance is the foundation of the Islamic financial system. Thus, there are always risks of non-*Sharīʿah* compliance by Islamic financial institutions that could engage in activities repugnant to *Sharīʿah* principles. This raises alarm on the need for internal *Sharīʿah* department that runs beyond the supervisory role of *Sharīʿah* board members. Chapter nine highlights the risk factors in *ṣukūk* structures. These are credit risk, counterparty risk, operational risk, market risk, legal risk and liquidity risk among others. However, one of the most worrisome is *Sharīʿah* compliant risk which is a violation of *Sharīʿah* view on the basis of pronouncement that declared a specific *ṣukūk* issue to be *Sharīʿah* compliant. There could also be lack of enforcing contract in a court or lack of *Sharīʿah* compliant investment by the financial institution or agents (p. 348). Interestingly, IDB via the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC) will be providing a new insurance product to insure *ṣukūk* investors against default on *ṣukūk* issued by sovereign members of the IDB and ICIEC ("The IDB`s Sovereign Sukuk Insurance Policy to enable junk-rated member countries to issue Sukuk." *Flexible Business Solution,* April 22, 2013. Retrieved May 12, 2013 from http://fbsco.com/news/a-327.html).

Final chapter covers rating *ṣukūk* to ensure its credibility, increase transparency and efficiency by reducing the information asymmetry between borrowers and lenders (p. 386). The author identifies several international rating agencies such as standard and Poor's, Moody`s and few domestic rating agencies in Muslim countries like Malaysia. However, as rightly observed by the author, the *ṣukūk* issuers are running after the rating agencies that may be potentially in conflict with *Sharīʿah* principles of financing just to get acceptance, albeit, there are limited Islamic rating agencies available in the industry. However, the rating agencies recognise some positive positions of Islamic banking such as profitability, stability, low cost of fund, depositors` loyalty due to moral and religious commitment.

Despite the professionalism shown in organizing the book, some grammatical and typos were identified such as "HSBC Amanh**"** (p. 26); "Bnakmuamalat" (p. 93); "as it is in the case ZamZam*Ṣukūk*" (p. 96); "There are an number of reasons for this" (p. 99); "debs" (p. 103) instead of debts; "*muḍārabah*contacts" (p. 105) instead of *muḍārabah* contracts; "create the an effective legal framework" (p. 111). Statements of Sheikh Taqi Usmani were repeated but with errors (p. 128, paragraph 2 and 4). There are also incomplete sentences like "This does not deny the fact that there is to be done to adequately address the issue (p. 391). Overall, this book should be read by academicians and professionals in the area of *ṣukūk*.