

Tawarruq as a Product for Financing within the Islamic Banking System: A Case Study of Malaysian Islamic Banking System

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Abstract

Many discussions and studies have taken place regarding the permissibility of *Tawarruq* and *'Inah* transactions. While *Tawarruq* is widely used in Malaysia and around the globe *'Inah* has been declined by many Islamic banks operating in many jurisdictions. The purpose of this paper is to study the application of *Tawarruq* in the Malaysian Islamic banking system. For this purpose the paper will discuss the permissibility of *Tawarruq* transactions from viewpoint of classical and contemporary scholars and its application in other countries. The methodology used to conduct the study was qualitative; hence the data was collected from various documents and studies conducted by scholars. For this purpose a comprehensive study on *Tawarruq* was extracted from the Bank Negara guidelines and other various publications was made. The outcome of this research revealed that there are contradictory views on the usage of *Tawarruq*. While some jurists standby the view of its permissibility, others view it as an invalid product of Islamic banking. Furthermore, it was shown that limited studies have been conducted on the practice of *Tawarruq* in various Islamic financial Institutions and limited data was seen from the financial reports of the banks indicating the amount of *Tawarruq* usage.

Paper type: Literature Review

Keywords: Bursa Suq al-Sila, *'Inah*, Liquidity Management, Shariah Compliance, Islamic Banking, Islamic Finance, *Tawarruq*

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1. Introduction

One of the most controversial Islamic financial product is considered to be *Tawarruq* as it is believed by some of the scholars that it contains elements of usury and *hilah* (legal Stratagem). For instance, Ibn Qayyim is of the view that *Tawarruq* is impermissible and he strongly believes that it is as a fraudulent practice against Allah (SWT) and *Shari'ah* (Ahmed et al, 2012).

However, there are conflicting views of different scholars for its permissibility. While Hanbali and Shafi Schools of view permit it, Ibnu Tamiyya and Ibnu Al Qayyim prohibit it as the real purpose of a *tawarruq* transaction is not to obtain the goods, but rather trade the item to obtain cash (Mohamad and Rhaman, 2014). Interestingly, *Tawarruq* is the 'magic lamp' in the Islamic financial sector in Malaysia and has earned harsh criticisms from the Middle East scholars due to the indulgent approach of Malaysian scholars towards *Tawarruq*. *Tawarruq* in its original form is a process of purchasing a commodity on credit by *Mutawarriq* (seeker of cash) and selling it to a third party at a lower price on spot basis for the purpose of liquidity management (Dusuki, 2008). The conflict arises from where the organized *Tawarruq* creeps into this definition and its application by the Islamic financial institutions.

The objective of this paper is to understand the validity of the application of *Tawarruq* from *Shari'ah* perspective and understand its application in Malaysia and other jurisdiction. Therefore this paper will examine the application of *Tawarruq* in Malaysia and other jurisdictions along with the conflicting views of different Islamic scholars. The research methodology will be qualitative.

2. Literature review

2.1 The Validity of *Tawarruq* Product

A brief literature review will be made in this part of the Research Paper which will provide a better understanding of *Tawarruq*. Significant literatures are used from past researchers and scholars to help in clarifying the validity and permissibility of using the *Tawarruq* product.

Tawarruq was a term originally introduced by Imam Hanbali in his book *kitab Syarh Muntaha Al-Iradat*, known as *Daqaiq Awla An-Nahyu Li syarhi Al-Muntaha*, to differentiate the concept of *'Inah* from the classical *Tawarruq*. *'Inah* has been widely adopted in South East Asian countries as a means of cash liquidity (Mohamad and Rahman, 2014); however, the application of *'Inah* has become debatable due to its legal stratagem. Following to that, *tawarruqq* was introduced as an alternative to *Inah* (Bilal and Meera, 2015). Nonetheless, like *'Inah*, *tawaruqq* has also become a controversial financial product since its transaction indirectly deals in *riba* (Mohamad and Rahman, 2014).

According to ISRA (2010), *Tawarruq* was introduced in 1421H by several banks in Saudi Arabia then followed by other banks in the Gulf and since then it has been the

most controversial topic discussed in the Islamic banking industry. Basically, *Tawarruq* is a Sharia compliant mode to provide cash liquidity and this concept became popular in Malaysia as an alternative to *'Inah*, which was adopted in the early days. According to Bouheraoua (2013), Islamic banks have been using *Tawarruq* because it guarantees that the depositors will keep on doing business with them and in light of the fact that it gives them the liquidity which is thought to be their driving force.

According to modern juristic views the acceptable form of *Tawarruq* is described as *Tawarruq al-Fardi* (Classical *Tawarruq*). For instance the Organization of International Council of Islamic *Fiqh* Academy in its 15th meeting chose that *Tawarruq* (classical) in principle is permitted (ISRA, 2013). However, According to Bouheraoua (2013) classical *tawarruq* is defined as the purchase of commodity possessed and owned by the seller on deferred basis, and then the buyer resells it to a third party (other than the original seller) to acquire cash (al-wariq). Majority of scholars argue that its permissibility relies on the fact that: the Muwarriq (seller/financier) does not involve in the resale of the commodity, no pre-arrangement between Muwarriq and the end buyer, and that Mutawarriq (buyer) receives cash directly from the end buyer. Although, organised *tawarruq* (*Tawarruq Munazzam*) in which Bouheraoua (2013) defines as the sale of commodity where the seller handles the process by which cash is acquired by the mutawarriq. The current practice today is that *tawarruq* mostly falls under the category of organized *tawarruq* which leads to the reason why OIC *Fiqh* Academy had to rectify its decision, and disallow the use of organized *tawarruq* in its 17th meeting (ISRA, 2013). The prohibition mainly due to the fact there exists a possibility of pre-arrangement between the financier (Muwarriq) and the end buyer (ISRA, 2013).

Furthermore, evidences from both classical and contemporary Islamic scholars that hold the argument of the permissibility and prohibition of the use of *Tawarruq* and the similarities and differences of it with *'Inah* should be addressed to clear the path in order to avoid confusion.

The main difference between the two is that in *'Inah* the commodity returns to its original seller, whereas in *Tawarruq* the commodity is sold to a third party, this main difference is one of the reasons why some of the proponents view *Tawarruq* as permissible (Dabu, 2007). As *Tawarruq* involves a third party, and there is no condition for the underlying sale object to be returned back (resold) to the original owner (first seller) in *Tawarruq* transactions, which allows seller to achieve liquidity without involving usury (Dusuki, 2010).

Despite the differences, *Tawarruq* is still considered as form of *inah*. This is where the opponents disapprove *Tawarruq*, since both contains element of *riba*. Ibn al-Qayyim pointed out that the objective of the contract is not to affect sale but exchange money for money (Dusuki et al, 2013). Contemporary scholars who dismiss *tawarruq* in the banking system also argue that the use of *tawarruq* in the banking industry is somewhat similar to *Inah* which clearly involves an essence of *riba* in its purpose

behind the transaction, which is to acquire cash and the payment of a greater amount of immediate cash in consideration of the delay (Bouheraoua, 2013).

Classical Scholars such as Hanafi School and Ibn al-Qayyim believe Tawarruq and Inah to be of a forced sale and such an exploitative nature is prohibited in Islam. According to Ibn al-Qayyim, this is due to the fact that the contract is done by someone who is forced to seek liquidity, and the counterparty is not willing to give loan, instead, sell commodity with profit (Dusuki, 2010). According to Bouheraoua (2013), the Islamic finance institutes which adopt the concept of tawarruq often exaggerate the charges and expenses due to a series of interrelated binding agreement such as Murabahah profit and agency fee. Hence, it becomes the arguments to oppose the proponent scholars who base the legality of tawarruq on the legal maxim that is “transactions are permissible unless a transaction is specifically prohibited by the Shari’ah”

Speaking of agency, it is one of the disputable shariah issues amongst the contemporary scholars. While nearly all scholars permit classical tawarruq, majority of them prohibit organized tawarruq due to its process, i.e. gaining money for money where the essence of the prohibition is similarly ruled for *Bay’ Inah* (Mohamad and Rahman, 2014). Furthermore, another issue arises in the commodity exchanged under *Tawarruq* which may not really exist and is only documents that are sent from one place to another, or a type of spoiled commodity, or the same commodity used in multiple transactions of *Murâbahah* which makes *Tawarruq* unlawful (Dusuki et al, 2013).

Despite the criticisms shown above, *Tawarruq* has been generally viewed as much more favourable manner than *Inah*, at least by a majority of past as well as some of the contemporary jurists of Islam (Dusuki, 2007). It is one of the distinguished Shariah contracts that is predominant in Islamic finance lately (Dabu, 2007). In Malaysia for example, the member of Shariah Advisory Council of Central Bank of Malaysia has made resolution which permit the use of organized Tawarruq such as those that include wakalah and pre-arrangement to be applied in many type of transaction (BNM, 2010). In GCC region such as Saudi Arabia, Bahrain and UAE, tawarruq transaction has also been growing rapidly (Dusuki, 2017). On the other hand, Central Bank of Oman (2013: 23) stated that “*Commodity murabaha or tawarruq, by whatever name called, is not allowed for the licensees in the Sultanate as a general rule*” with the exception if the IFI’s survival is threatened, and no other mean to assist conventional conversion into Islamic.

Nonetheless, the development of banking tawarruq shows the concerns and recognition by some of the jurists globally of the need to find alternatives for solving the problem of liquidity shortage faced by Muslims around the world (Dusuki, 2007). While some scholars (e.g. Mohamad and Rahman, 2014) commented that tawarruq could be the most suitable concept for banking products that require cash-based dealing, others such as Bouheraoua (2013) argue tawarruq contributes to negative impacts on IFI such as:

failure to innovate new financing product, disinclined to engage in real economy activities, and negative image for IFIs.

The *Shari'ah* ruling regarding the permissibility or impermissibility of application of *Tawarruq* around the globe was based on the verdict given by the International Council of *Fiqh* Academy (ICFA), which is an initiative of the Organization of Islamic Conferences (OIC) that the original manifestation of *Tawarruq* was in line with *Shari'ah*. However, ICFA state that more complex transactions known as reverse commodity *Tawarruq*, or simultaneous organized *Tawarruq* are not *Shari'ah* compliant (Mohamad and Rahman, 2014). In 2009, the Organisation of Islamic Cooperation (OIC) *Fiqh* Academy ruled that organized *Tawarruq* and reverse *Tawarruq* are impermissible on the ground that the arrangement is a trick to allow borrowing with interest (Bilal and Meera, 2015; Mohamad and Rahman, 2014; Rahman and Manan, 2014).

Table 1 shows the *Shari'ah* rulings on organized *Tawarruq* by different Islamic Institutions.

Table 1: Shari'ah Rulings On Organized Tawarruq

Organisations	Shari'ah rulings
OIC Fiqh Academy	Resolution 179 (19/5) Organized and reserve <i>tawarruq</i> are Impermissible: the practice is deceptive and contains element of <i>riba</i> since the contract requires simultaneous transactions between the financier and the <i>mustawriq</i> , either explicitly or implicitly or based on common practice, in exchange for a financial obligation and for the purpose of receiving quick cash (ISRA, 2013: 4)
AAOIFI	Regarding Pre-Arrangement -The commodity must be sold to a party other than the one from whom it was purchased on a deferred-payment basis (third party), to avoid <i>inah</i> - The commodity should not return back to the seller by virtue of prior agreement or collusion between the two parties, or according to tradition. Source: AAOFI, 2010: Standard No. 30, Article 4/5 Regarding agency: 4/7 The client should not delegate the institution or its agent to sell on his behalf a commodity that he purchased from the same institution and similarly, the institution should not accept such a delegation. 4/8 The institution should not arrange a proxy of a third party to sell the commodity on behalf of the client that purchased it from the institution. 4/9 The client should not sell the commodity except by himself or through an agent other than the institution, and should duly observe the other regulations. 4/10 The institution should provide the client with the information that he or his appointed agent may need in order to sell the commodity. Source: AAOFI, 2010: Standard No. 30, Article 4/7 to 4/10
Bank Negara Malaysia	Agency: G 11.3 The contracting parties in each sale and purchase contract in the <i>tawarruq</i> may enter into the sale and purchase contract through a <i>wakil</i> (Bank Negara Malaysia, 2015: 6). Delivery: S 13.9 Possession of the asset shall either be in the form of <i>qabd haqiqi</i> (physical possession) or <i>qabd hukmi</i> (constructive possession) (Bank Negara Malaysia,

2015: 8).

S 13.10 Possession of the asset shall take effect upon *takhliyah* (the purchaser took possession of the *istisna`* asset through the release of the asset) through any mechanism permitted by Shariah including *`urf tijari* (customary business practice). in order for *tamkin* (the purchaser would have access to the asset) to take place and for the purchaser to assume its ownership risk (Bank Negara Malaysia, 2015: 9).

2.2 Global Usage of *Tawarruq*

Tawarruq was first explored by domestic Islamic bank in the kingdom of Saudi Arabia and then followed by other Banks, most of which were branches and Islamic windows for commercial banks. Banking *Tawarruq* started with Saudi British Bank in October 2000 followed by Al-Jazeera Bank in the late 2002 (Dabu, 2007).

Tawarruq has become increasingly popular in Saudi Arabia, United Arab Emirate (UAE), and other Gulf Cooperation Council (GCC) countries in recent years (Mohamad and Rahman, 2014). The National Commercial Bank (NCB) in Saudi Arabia is a pioneer in using *Tawarruq* as a financial product under the brand of Taysir in 2000. Furthermore, the Abu Dhabi Islamic Bank (ADIB) launched an innovative new *Shari'ah*-compliant financing product called Al Khair, based on the Islamic concept known as *Tawarruq*, which is approved by Fatwass, *Shari'ah* Supervisory Board and Islamic *Fiqh* Academy.

The use of *Tawarruq* in Gulf Cooperation Countries (GCC) as compared to the use of *'Inah* is much wider due to the resolution passed by AAOFI and *Fiqh* Academy. The resolution permits *Tawarruq* to be implemented in Islamic banks but adaptation of *Tawarruq* principle is subjected to tight controls and restrictions (Mohamad and Rahman, 2014).

Tawarruq transactions are being used by many Islamic banks (e.g. United Arab Bank, QNB Al Islamic, Standard Chartered of United Arab Emirates, and Bank Muaamalat of Malaysia) as a liquidity management instrument and as a mode of financing especially for personal financing and credit cards. Although some Islamic Jurists have strong reservations about the application of *Tawarruq* in Islamic Financial System, others were of the favorable opinion (Mohamad and Rahman, 2014).

In the course of this research, it has been revealed that *Tawarruq* is used by very few Islamic Banks around the Globe for either personal or corporate financing. For the corporate financing most banks mainly use it for liquidity Management. Generally, commodities such as gold, silver, barley, salt, wheat, and dates aren't allowed in *Tawarruq*. However, the London Metal Exchange (LME) and Bursa Suq-al Sila (BSAS) are being used by many Islamic banks as a platform for *Tawarruq*. Table 2 shows the global distribution of banks that apply *Tawarruq* product in providing banking transactions either in personal or corporate financing:

Table 2: Global distributions of banks that apply *Tawarruq*

Countries	Personal Financing	Corporate Financing	Islamic Banks	Product Type
Bahrain	√	√	1) Kuwait Finance House 2) Islam Bahrain	Organized <i>Tawarruq</i>
Brunei	√		Bank Islam Brunei Darussalam	
Maldives	X	X		
Nigeria	X	X		
Oman	X	X		
Saudi Arabia		√	National Commercial Bank	Classical <i>Tawarruq</i>
Sudan	√		Riya Bank	Classical <i>Tawarruq</i>
United Arab Emirate	√	√	United Arab Bank	Organized <i>Tawarruq</i>

3. Application of *Tawarruq* in Malaysia

Malaysia aims to become a hub of Islamic finance in the world. In line with its vision, the main goal is to provide multiple products that would increase productivity of Islamic financial institutions that would boost the Malaysian economy. Currently, *Tawarruq* or commonly known as Commodity *Murâbaḥah* is being extensively practiced by Malaysian Islamic financial system (Zukri, 2009). It was officially endorsed to be permissible based on the justifications from *Shari'ah* which include the Quran's verse, Allah (s.w.a) says "...whereas Allah has permitted trading and forbidden *riba usury*..." (2:275), legal maxim that says "*mu`amalah is permissible, except when there is a provision prohibiting it*" and the permission from Hanafi, Hanbali and Shafii school of thought, by *Shari'ah* Advisory Council of Bank Negara Malaysia on their 51st meeting, 28 July 2005.

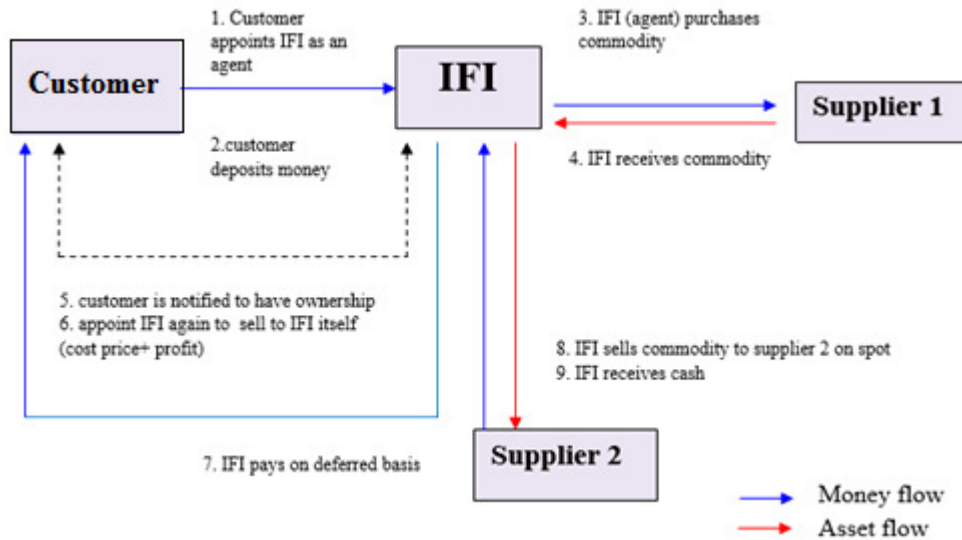
Historically, Malaysia was popular in using *'Inah* in the financial market transactions. However, it created conflict when majority of scholars' views differed on its permissibility. To overcome this conflict, *Tawarruq* was introduced as a replacement to *'Inah*. Hence today the principle of *Tawarruq* has become the underlying principle in many Islamic financial products such as deposit products, financing, asset and liability management as well as a product to risk management.

3.2. *Tawarruq* in Islamic banking sector

In the case of deposit account, *Tawarruq* is applied as to replace the *mudaraba* term deposit account (Ismail et al, 2013). This replacement was the consequence of Islamic Financial Service Act 2013, which classifies Islamic deposit as principal guaranteed and investment account as non-principal guaranteed (IFSA, 2013). It makes *Mudarabah* deemed unsuitable for deposit account since its essence is a non-guaranteed principal. The application of *Tawarruq* term deposit, however, must be supported by *wakalah* (agency) whereby the bank is appointed as an agent of the customer to purchase a commodity from supplier (see table 1) (Ismail et al, 2013), the figure below shows the mechanism of Reverse *Tawarruq*.

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Figure 1: Reverse Tawarruq



For financing activities, the Bank provides liquidity according to customer’s need. The bank provides financing through the mode of commodity trading and the customer pays in installment or deferment upon the due date as the result of the credit sale by the bank. The *Tawarruq* concept is not only for cash financing, but also is exercised for others financing such as house, auto and trade financing. Table 3 shows *Tawarruq* Financing and deposits in IFIs in Malaysia.

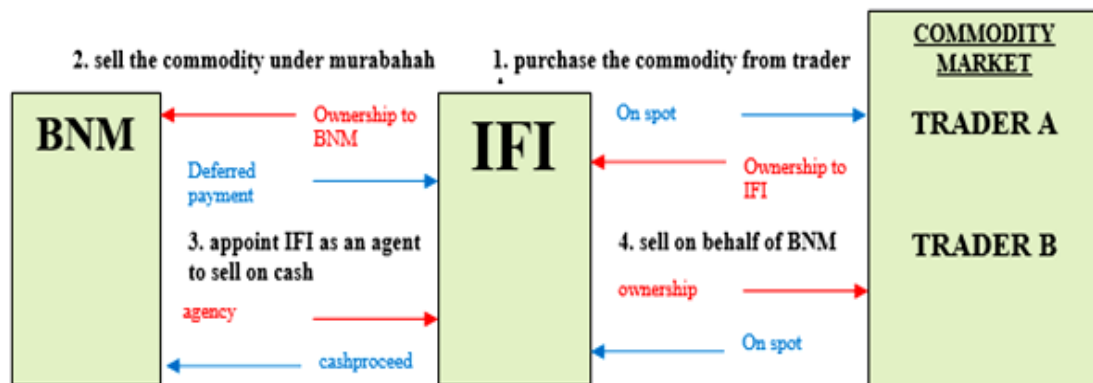
Table 3: Tawarruq Deposit and Financing Products in Malaysia

Tawarruq Product	Islamic Financial Institution in Malaysia											
	Bank Islam	Bank Muamalat	MayBank Islamic	Am Islamic	Hong leong	Asiar Finance	HSBC amarah	Kuwait HF	Standard chartered	Al-rajihi	Bank Raykat	Agro Bank
Deposit	Term deposit	-	Term deposit, fixed deposit	Term deposit	Saving & current account, term deposit	Commodity Murebah a term deposit account	Term deposit	Sure saving account, Sure CA, Term Deposit		-	Term deposit	Term Deposit
Credit card	yes	-	-	-	-	-	-	-	-	-	yes	Yes
Personal financing	yes	yes	Yes	-	yes	yes	yes		yes	yes	yes	Yes (Agro)
Home financing	yes	yes	Yes	-	yes	yes	-	-	-	-	yes	
Business Financing	Cash line	Islamic	Cash line		Cash line	TTF-i	Cash line					Yes
	revolving credit	Short term account	CMTF		CMRC-i	TFTF-i	Commodity Murabah aFIn-i			Commodity deferred purchased agreement; treasury;	Microfinance-i Musk	IPacdy
			FC CMTF		Term financing	TWCF-	Revolving financing					MJS- M-i
			STRC-i									SAWIT-i
Auto financing	-	-	-	-	-	-	-	-	-	-	yes	

3.3. Islamic Interbank Money Market (IIMM)

In the case of Islamic bank's liquidity management, Malaysia has introduced Islamic Interbank Money Market (IIMM) as an intermediary for liquidity management and investment purpose based on *Tawarruq* principle. Similar pattern is applied in the Islamic Capital Market where Bank acts as an agent for BNM during surplus and become a customer of BNM during the deficit. The Figure below shows the application of *Tawarruq* in IIMM.

Figure: 2: Application of *Tawarruq* in IIM



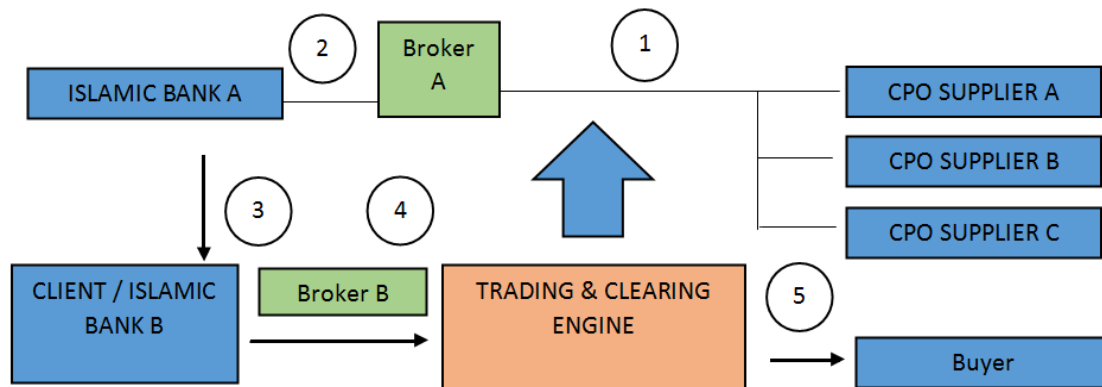
3.4 Bursa Suq al-Sila

In current years, *Tawarruq* or Commodity Murabahah has been translated into Malaysian capital market practice known as Bursa Suq al-Sila (BSAS) or Commodity Murabahah House (CMH). The practice of Bursa Suq al-Sila was approved by *Shariah* Advisory Council in its 78th meeting, 30 July 2008 (BNM, 2010). BSAS is initiated to solve the issues pertaining the *Shariah* violation in organised *Tawarruq* in a manner such as the ownership of the underlying asset, possession, delivery, and agency problem. Practically, the mechanism used by Bursa Suq al-Sila operation will be as follow:

1. When the market is open, the banks will bid on the price and suppliers for commodities will line up as from supplier A, B and C. The market will open at 10.30 and the order will be matched by 'Trading & Clearing Engine'. After the bidding, CPO will be sold to Islamic Bank A via Broker A.
2. 'Trading and Clearing Engine' will ensure the delivery of commodities and trade confirmation will be sent to all parties. The price will be credited to Trade and Clearing Engine Account upon the payment.
3. Islamic bank A will sell the commodities to the Islamic Bank B on deferred basis.
4. Islamic Bank B will sell the commodities to 'Trading & Clearing Engine' via broker B. the ownership will be transferred.

5. The Trading & Clearing Engine will sell the commodities to the buyer based on the bidding price.

Figure 3: Bursa Suq Al Sila Practice in Bursa Malaysia



However, regarding the issue of the underlying asset ownership, BSAS provides a fully electronic system that will recognize and verify ownership through electronic certificates (e-certificate). The contract specifications will also be given to every single asset and will be made known to all parties (Mansor, 2009). BSAS only allows for real commodities which have real value to be transacted such Crude Palm Oil. It is also stated in BNM *Tawarruq* parameter under section 13.1 the asset is recognized by *Shari'ah* as valuable, identifiable and deliverable (BNM, 2010). However, the doubt still arise among the industry players on the real physical asset; whether it really exist especially when it involves huge numbers of transaction. to alleviate this concern, Bursa Malaysia has introduced other commodities such as more specification on CPO and intangible assets such as telecommunication' and television airtime (Ismail et al, 2013).

Moreover, on the issue related to the possession and delivery of commodity. Bursa Malaysia allows for physical delivery to the buyer. The issue is that the additional charge imposed for the delivery that is not included in the selling price in the very beginning.

This shows there are two separate prices: for delivery, and non-delivery, it also seems that there is no intention to result in delivery from the beginning when structuring the product, thereby, it makes the sale a fictitious transaction (Dusuki, 2010). In the case of possession, AAOIFI Standard No. 30, Article 4/5 mention that the commodity should not return back to the seller by virtue of prior agreement or collusion between the two parties, or according to tradition to solve the issue, the sale of commodity is conducted on a random basis and do a price bidding to reflect the real market (Dusuki, 2010).

In the case of agency appointment, AAOIFI clearly stated that wakalah system in *Tawarruq* is prohibited. It seems that there is no measure to address this specific issue in basis (Dusuki, 2010). In fact for *Tawarruq* term deposit, the practice must be supported by agency (Ismail et al, 2013). Furthermore, in the BNM *Tawarruq* parameter it is mentioned under G 11.3 that the contracting parties in each sale and purchase contract in the *Tawarruq* may enter into the sale and purchase contract through a wakil. This parameter still contradicts to AAOIFI standards.

4. Recommendation and Conclusion

From the above discussion, it could be seen that the contemporary scholars approved the classical *Tawarruq*. Problem arises from the practice of organized *Tawarruq* worldwide. In Malaysia, *Tawarruq* is being applied in almost all areas of Islamic Banking activities, including deposit, financing, investment, and in capital market. Malaysia follows the Fatwa from the Bank Negara's *Shari'ah* Advisory council which authorised the practice of organised and reversed *Tawarruq*. As a result, Malaysia has been able to develop sophisticated *Tawarruq* products in all aspect of banking and financing activities. On the other hand *Tawarruq* applications are limited in other countries. Most countries only limit its usage to personal financing.

It is evident in the paper that the modern scholars do not dismiss the application of *Tawarruq* out-rightly; rather, the dismissal is due to the many violations of *Shari'ah* principles in its modern application. This assertion is in fact similar with the position of AAOIFI, which has never detested *Tawarruq* as an Islamic Product.

It was also revealed that due to the divergent view with regard to the application of *Tawarruq* around the globe, it is necessary for Islamic financial Institution to understand that *Tawarruq* arrangement should be used in accordance with guiding principles of shariah while the industry should continue to fine a lasting solution for the liquidity management. Widespread use of organized *Tawarruq* could be harmful to the industry in the long run due to *Shari'ah* issues in it. Some of the issues which include no physical transfer of ownership of the underline asset in the transaction, two separate prices in one transaction i.e. for the delivery and non-delivery of the commodity are few to be mentioned. Therefore, *Shari'ah* Board needs to strictly monitor all *Tawarruq* based transaction which includes the commodity *Murābahah*.

In conclusion, Islamic financial institutions should strive hard for better alternatives and adhere strictly to the *Shari'ah* guidelines and the resolutions by both the OIC *Fiqh* Academy and AAOIFI on the application of *Tawarruq*. Otherwise, IFIs will appear as practitioners of merely copying the conventional system, their functions and operations essentially no different from the conventional space, except in their use of Islamic terms to disguise *riba* and avoid other *Shari'ah* prohibitions.

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