

The Money Market: Errata

Chapter 12 - Introduction to Islamic Money Market

Kindly take note of a spelling error that appears on pages 12-1, 12-3 and 12-12.

“*Mushakarrah*” should be spelled “*Musharakah*”

We apologise for any inconvenience caused.

1. Page 12-1

Key Concepts: 3rd bullet

- *The common concepts used in Islamic banking are Mudharabah (profit sharing), ~~Mushakarrah~~ **Musharakah** (joint-venture), Murabahah (cost plus financing), Al-Bai' Bithaman Ajil (deferred payment sale), Bai'al-Dayn (debt trading), Al-Ijarah (leasing), Qard Hassan (benevolent loan), Al-Wakalah (nominating another person to act), Al-Kafalah (guarantee) and Al-Wadiah (safe keeping)*

2. Page 12-3

12.2 Common Concepts Used in Islamic Banking

The common concepts used in Islamic banking in Malaysia are:

- *Mudharabah* (profit sharing)
- ~~*Mushakarrah*~~ ***Musharakah*** (joint-venture)
- *Murabahah* (cost plus financing)
- *Al-Bai' Bithaman Ajil* (deferred payment sale)
- *Bai'al-Dayn* (debt trading)
- *Al-Ijarah* (leasing)
- *Qard Hassan* (benevolent loan)
- *Al-Wakalah* (nominating another person to act)
- *Al-Kafalah* (guarantee)
- *Al-Wadiah* (safe keeping)

Under Islamic banking, financing could be divided into:

- Equity financing
- Debt financing
- Other concepts of financing

12.2.1 Equity Financing

The equity financing would involve two concepts, which are *Mudharabah* and ~~*Mushakarah*~~ *Musharakah*.

- (i) *Mudharabah* refers to an agreement between a lender and an entrepreneur. The lender agrees to finance the entrepreneur's project on a profit sharing basis with a pre-determined ratio agreed upon earlier (not pre-determined profit). Any losses will be borne by the provider of funds.
- (ii) ~~*Mushakarah*~~ *Musharakah* is a partnership or joint-venture for a specific business with a profit motive. The distribution of profits or loss will be apportioned according to an agreed ratio through negotiation.

3. Page 12-12

12.3.10 Islamic Private Debt Securities (IPDS)

The creation of the IPDS market is part of the securitisation process that involves the transformation of an illiquid asset into a tradable security. IPDS can be created out of underlying contracts such as *Al-Bai Bithaman Ajil* (deferred payment sale), *Murabahah* (cost plus financing), ~~*Mushakarah*~~ *Musharakah* (joint-venture) and *Al-Qardhul Hasan* (benevolent loan) and etc. There are two forms of securitisation, the issuance of securities substituted for loans through notes or bonds (or debt securitisation) and the issuance of asset-backed securities (or asset securitisation).