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ASSESSING LIBYA'S FIRST *ŞUKŪK*: SHARĪ'AH COMPLIANCE AND FINANCIAL VIABILITY

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ABSTRACT

Purpose — This study aims to assess the first *şukūk* issuance in Libya from two main perspectives: the compliance of the *şukūk* with the Sharī'ah and its compliance with the Libyan legal system. Further, the study evaluates the adequacy of the provided financial disclosures to assess the feasibility of the *şukūk* issuance.

Design/Methodology/Approach — A qualitative case study methodology was used to assess the *şukūk* issuance in question. For the assessment of disclosure adequacy, a tailored model was devised featuring main and subsidiary points of interest.

Findings — The Sharī'ah assessment findings suggest potential non-compliance issues within the *şukūk* issuance. Additionally, there are significant gaps in the disclosure of key financial aspects related to both the *şukūk* originator and the project, potentially hindering stakeholders from gaining a comprehensive understanding of the issuance's feasibility.

Originality/Value — One unique advantage of this paper is that it is the first to gain access to the actual documentation of *şukūk* issuances in Libya.

Research Limitations/Implications — The study's scope was constrained by a scarcity of data and documents from Libyan parties.

Practical Implications — After analysing the *şukūk* issuance, a framework of Sharī'ah and financial disclosures was developed. The application of the proposed framework can be extended to effectively assess other comparable *şukūk* offerings within the Libyan legal system.

Social Implications — Libyan policymakers are recommended to strengthen the regulations governing forthcoming *şukūk* issuances. The proposed improvements should include mandating comprehensive disclosures regarding the financial viability of the *şukūk* issuance and ensuring ample disclosures to guarantee full adherence to Sharī'ah principles.

Keywords — Financial viability, Libya, Sharī'ah compliance, *Şukūk*

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INTRODUCTION

Ṣukūk are certificates of equal value that represent equal ownership of an income-generating asset or investment project. *Ṣukūk* usually have an agreed upon maturity date, although they may be issued perpetually (Kahf, 2013). *Ṣukūk* may be considered a financing tool for the capital market and it has been applied on a large scale across different jurisdictions. The rise in the number of Sharī'ah-compliant corporations and Islamic investment or financing instruments reflects the expansion of the Islamic capital market (Haron & Adeyemi, 2016). The development of Sharī'ah-compliant alternatives for surplus and shortage units interested in adhering to Islamic criteria in the capital market promotes sustainable growth for both parties. From a broader perspective, the quest for low-cost financing leads decision-makers to opt for borrowing rather than issuing more equities. *Ṣukūk* can offer competitive advantages, as their returns are highly acceptable to investors from both the practical and Sharī'ah perspectives. Many global investors are seeking sustainable and responsible investments (SRI) that generate a positive impact, a trend that was initiated by several investment institutions and banks in the United States during the 1970s (Noordin *et al.*, 2018). This global movement is gaining momentum due to the adverse effects of corporations on the environment and societies. The year 2021 witnessed a notable achievement in the global *ṣukūk* market as it set a new record for issuances, with the growth rate of long-term issuances slightly surpassing that of short-term issuances. By the end of the year, there was a significant upswing, marking an approximate 7.72 per cent increase (equivalent to USD188.12 billion) (IIFM, 2022).

The emerging Islamic capital market has witnessed significant developments, particularly in the issuance of *ṣukūk*. Local-currency *ṣukūk* accounted for 80 per cent of total issuances, while hard-currency issuances constituted 20 per cent. According to Sahin (2022), 41.2 per cent of all *ṣukūk* issued last year were in Indonesian rupiah, followed by the US dollar (19.4%), Malaysian ringgit (16.4%), Saudi riyal (13.5%), and Turkish lira (5%). All the mentioned countries are relatively stable, while their economic policies differ. The question arises regarding the situation of *ṣukūk* issuances in countries grappling with instability, such as Libya.

This study aims to assess the first *ṣukūk* issuance in Libya. The discussion will be from two main aspects: first, the compliance of the *ṣukūk* with both the Sharī'ah and the Libyan legal system. Second, the study will undertake an evaluation of the financial disclosures about the feasibility of the *ṣukūk* issuance.

This paper is organised as follows: following the introduction, the second section is the literature review, providing a brief background of Islamic finance in the context of Libya, an overview of the Libyan Investment and Development Holding Company (LIDCO), which issued the inaugural *ṣukūk* in Libya, and a review of relevant empirical papers on *ṣukūk* issuances. The third section then examines the theoretical framework pertaining to *ṣukūk* from two aspects: the legality perspective (Sharī'ah compliance challenges) and the main information that should be disclosed according to the standards set out by the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) relating to *ṣukūk*. The next sections then set out the research methodology and undertake a practical assessment of the Libyan *ṣukūk*, respectively. The last section concludes the paper.

LITERATURE REVIEW

Historical Background of Islamic Finance in Libya

Libyan policymakers and market players have shown a notable interest in Sharī'ah-compliant financing, with a demand that seems to surpass that observed in other Arab nations. Surveys consistently place the Libyan population at the upper range of this demand spectrum, notably higher than its more secular neighbour, Tunisia, for instance (World Bank, 2020). Nevertheless, the genuine push for embracing the Islamic finance framework in Libya gained momentum following the 2011 revolution. Various decision-making bodies diligently endeavoured to actualise Sharī'ah principles across Libyan laws, spanning from civil legislation to financial transactions. As a result, in January 2013, the Libyan General National Congress enacted Law No. 1 of 2013, effectively prohibiting the charging of interest on all civil and commercial transactions. The legislation prohibiting interest (Law No. 1 of 2013) is concise, comprising less than two pages with eight clauses. It specifically addresses interest-bearing transactions related to loans and deposits but does not extend to details concerning non-bank financial activities such as insurance and leasing.

The law imposes penalties, including financial fines and potential imprisonment for up to two years, for deliberately continuing to charge interest. Remarkably broad and prescriptive, Libya's prohibition of conventional interest surpasses that of most Muslim-majority economies, even exceeding many Arab nations practicing Sharī'ah-compliant financial methods. Notably, there is no grandfathering provision for previously structured conventional credits. Retail loans were promptly expected to transition to Sharī'ah-compliant arrangements, while commercial credits were granted until 2015. Article 2 of the law explicitly states that interest enforcement is prohibited, even if a Libyan court issues a final judgement in favour of interest payment. This effectively nullifies all interest payments, including accrued and suspended interest on overdue loans recorded as assets on banks' books (World Bank, 2020). The law's enactment in January 2013 has led to varying interpretations by judges in local courts and even the Libyan Supreme Court, creating a framework for addressing ongoing financial conflicts related to pre-existing agreements.

In 2016, the Libyan General National Congress passed Law No. 4, which delineates the regulations governing the issuance of *shukūk*. This legislation identifies entities, both private and public, eligible to issue and invest in *shukūk*, as well as the process for their issuance through specially created Special Purpose Vehicles (SPVs). The law outlines five main Sharī'ah-compliant modes for structuring *shukūk*: (i) financing, (ii) *ijārah* (leasing), (iii) investment, (iv) partnership, and (v) investment portfolio. Approval from the Capital Market Authority (CMA) and the CMA's Sharī'ah Supervisory Board is mandatory for *shukūk* issuance to ensure Sharī'ah compliance.

Law No. 4 of 2016 not only establishes the legal framework for *shukūk* issuances but also defines the rules governing SPVs, securitisation and trading. It empowers the Libyan CMA with the responsibility of monitoring, inspecting and supervising the SPV. The law also outlines the role of the CMA's Sharī'ah Supervisory Board in confirming the Sharī'ah compliance of issued *shukūk*. Despite the existence of several potential *shukūk* projects, such as private financing for malls and a clinic, as well as public financing for an electrical power plant, no *shukūk* issuance ever materialised until the issuance of Al Waha *shukūk* in 2021. Various challenges hindered

ṣukūk issuances in Libya, including the overall high risk associated with financing in the current Libyan environment. Additionally, challenges such as the risks associated with being the first mover, lack of transparency among issuers, and the absence of mechanisms and buyer volume to support a secondary market contribute to the impediments to *ṣukūk* issuance (World Bank, 2020).

Efforts by the Central Bank of Libya to organise operations related to Islamic banking predated the enactment of Law No. 1 of 2013, which prohibited dealing in interest with banks. In 2012, Resolution No. 3 was issued, establishing an advisory committee for Islamic banking affairs. Its initial practical measure involved incorporating a comprehensive chapter to regulate Islamic banking operations in Libya, based on the provisions of Law No. 1 of 2005, officially integrated into Law No. 46 of 2012. The committee's objective is to facilitate the conducive working environment for the seamless integration of Islamic banking, including the regulation of procedures for establishing new Islamic banks (Sassi, 2019). Libyan decision-makers are actively striving to maximise the advantages derived from adopting the standards set by international Islamic financial bodies, including the IFSB, of which Libya is a full member, and AAOIFI. The Central Bank of Libya took a significant step in incorporating international standards into the operations of Islamic banks in the country. The issuance of Guideline A.R.N.M. No. 9 in 2010 mandated the adoption of the standards set by AAOIFI for Libyan Islamic banks. This directive underscores the commitment to aligning the practices of Islamic financial institutions in Libya with internationally recognised standards (Ahmad & Daw, 2015).

The abrupt introduction of the Islamic banking system in Libya in 2013, following a prolonged absence, inevitably brought about numerous challenges that required attention. Traditional banks encountered significant hurdles in transitioning to full-fledged Islamic banking in Libya. In a study conducted by El-Brassi *et al.* (2018), the authors highlighted the inadequacy of Law No. 1 of 2013 in addressing the conversion process. They highlighted the potential consequences of banks failing to convert to Islamic banking, including missed opportunities, liquidity crises, and even the risk of freezing the entire financial system in early 2015. The study revealed a lack of clarity regarding the expected type of conversion in Libya, as the law did not provide provisions for such details. Additionally, it identified a deficiency in the Central Bank of Libya's role in supporting and elucidating the conversion process to stakeholders.

After the new law, there was one prior unsuccessful attempt towards issuing *ṣukūk* in Libya using the *murābahah* contract. The attempt of the Libyan Internal Investment and Development Fund (LIIDF) to issue a non-tradable *murābahah ṣukūk* on behalf of GECOL, the state electrical company, in 2018 faced a setback. The *ṣukūk*, intended as a private placement to support the purchase of power stations, had a planned total issuance of Libyan Dinar (LYD) 1.6 billion at a 3 per cent rate. However, the Libyan National Audit Bureau intervened, blocking the issuance on the grounds that it was perceived as an illegal circumvention of the budgetary process. The key point of contention was the unresolved question of which ministry should guarantee the *ṣukūk* issuance: Should it be the Ministry of Planning, in accordance with Section 3 on national development, or the Ministry of Finance, as part of the budgetary process? This lack of clarity added a layer of complexity to the situation and contributed to the GECOL *ṣukūk* issuance not reaching fruition (World Bank, 2020).

As of the third quarter of 2023, the Libyan Central Bank reported that the aggregate assets within the banking sector of Libya stand at LYD145.2 billion (equivalent to approximately USD30.3 billion), yielding a profit of approximately LYD763.9 million (roughly USD159.4 million). Presently, there are 20 operational banks in the nation. Remarkably, the three preeminent entities, namely the Republic Bank, the National Commercial Bank, and the Unity and Sahara Bank, collectively have a 77.1 per cent share of the total assets in the banking system. The financial landscape within the banking sector extends its reach by offering financing services amounting to approximately LYD5.12 billion (USD1.068 billion). The Libyan financial ecosystem is dispersed across the nation through a network of 612 branches, culminating in the creation of approximately 19,815 employment opportunities for the economy (Central Bank of Libya, 2023).

Overview of the Libyan Development and Investment Holding Company

LIDCO is a subsidiary of the Economic Development Fund. It was established with a capital of LYD100 million as a joint-stock company, following the Council of Ministers' Resolution No. 110 of 2006 and in compliance with Libyan Commercial Law, particularly Law No. 65 of 1970, and Law No. 9 of 1992 on economic activities, which has been amended by Law No. 21 of 2001 and Law No. 1 of 2004.

In 2007, the company underwent a transformation from a joint-stock company to a holding company through the General People's Committee Resolution (previously) No. 309 of 2006, with its capital increased to LYD300 million. Additionally, in 2009, the capital was further raised to LYD1 billion in the second meeting of the Economic Development Fund's General Assembly. As the company expanded its operations and experienced growth, the capital was then further increased to LYD1.5 billion in an extraordinary general assembly meeting in 2010. The company primarily engages in real estate investment known as Al Waha project. In addition to that, the company is involved in general contracting, and the manufacturing of building materials, contributing to the establishment of joint ventures with foreign companies specialising in these sectors.

Al Waha project, situated on a land area of seven hectares near the iron bridge in the Abu Salim area Tripoli, stands out as a unique residential and commercial endeavour. The project is bifurcated into two distinct sections:

- i. the residential part: a residential complex marked by a global vision and whose design encompasses 11 residential buildings;
- ii. the commercial part: this segment features two service towers, forming a collaborative investment venture with a 50 per cent participation rate shared between LIDCO and Al-Maab International Investment Company.

In 2021, LIDCO issued *ṣukūk* amounting to LYD519 million to finance the Al Waha project. Participation *ṣukūk* that can be traded, consumed and converted into shares were issued. The company established an SPV named Al Waha Real Estate Investment Company. The *ṣukūk* was offered through Al-Tadamon Securities Brokerage Company and was fully underwritten by the Libyan Fund for Internal Investment and Development. The *ṣukūk* was to mature in 2023 with an estimated profit rate of 10 per cent.

Review of Relevant Empirical Papers on *Ṣukūk*

From an empirical standpoint, *ṣukūk* have often been assessed in a general manner without specifying the type issued by a particular issuer. For instance, Sze Lin *et al.* (2013) highlighted the challenge of ensuring consistent returns for *ṣukūk*, particularly in the Gulf, where certain types of *ṣukūk*, such as *mushārah* and *muḍārah*, have been structured and sold with purchase guarantees, resembling the fixed returns of traditional bonds. Generally, this kind of *ṣukūk* should be issued with the potential for investors to incur losses. In a similar vein, Badri and Mohamad (2014) contended that the concept of waiver (*tanāzul*) presents specific challenges, particularly in the context of loss associated with *mushārah ṣukūk*. They highlighted that *tanāzul* cannot be invoked in cases of loss or liquidation. According to their argument, it is not acceptable for one party, acting as the waiver issuer, to favour their partner's claim to the entire capital, resulting in the waiver issuer bearing the loss while the other partner remains unaffected.

According to Zakaria *et al.* (2012), a critical aspect of rating *ṣukūk* involves assessing the creditworthiness of the issuers, which is essential for determining potential default risks in the future. Ahmed *et al.* (2014) emphasised the importance of collaboration between Sharī'ah scholars and financial professionals in the *ṣukūk* issuance process, identifying this cooperation as a key factor in the development of the *ṣukūk* market. The growth of Islamic stock markets fundamentally hinges on investors' readiness to consider the ethical aspect when the risk and return are comparable to conventional markets (Saiful, 2015).

While both Sharī'ah and financial aspects are important in assessing *ṣukūk*, it is suggested that the Sharī'ah aspect holds more significance and provides greater credibility, especially in the eyes of stakeholders such as investors. Ahmed *et al.* (2019) found a high level of legitimacy in the identity of *ṣukūk* in Malaysian Islamic financial institutions. They examined the legitimacy of *ṣukūk* structures through Sharī'ah pronouncements in 54 *ṣukūk* issued in Malaysia. The spiritual dimension, particularly in the context of Muslim investors, significantly influences their investment choices, according to Khan *et al.*'s recent study (2020). The research findings indicate that various factors, including compatibility, internal and external influences, intrinsic motivation, and religiosity, have a positive and substantial effect on investors' behavioural intentions regarding *ṣukūk* investments. Additionally, the study highlights the role of the religious aspect as a moderator in the relationship between internal influence and investors' behavioural intention, as well as between external influence and behavioural intention.

Noordin *et al.* (2018) assessed the level of compliance with the requirements for the issuance of Sustainable and Responsible Investment (SRI) *ṣukūk*, as set by the Securities Commission Malaysia, specifically focusing on Khazanah's Ihsan Sukuk. They highlighted the importance of these requirements for various stakeholders in the Islamic capital market.

Ṣukūk issuance is a unique phenomenon in Libya, especially within the broader North African region. The introduction of *ṣukūk* issuances in Libya is a notable development, particularly if there exists a legal framework to guide the issuance process. However, the lack of practical experience can pose significant challenges. Successful implementation of *ṣukūk* requires a robust infrastructure and a comprehensive understanding of the specific requirements of Islamic finance.

From an empirical standpoint, *ṣukūk* have often been assessed in a general manner. The first issuance in 2021 could serve as a case study for researchers and financial institutions interested in understanding the dynamics of introducing Islamic financial instruments in a new market. It is essential to conduct comprehensive studies to assess the impact, challenges and opportunities associated with the introduction of *ṣukūk* in Libya. This empirical data can provide valuable insights for policymakers, investors and market participants.

THEORETICAL FRAMEWORK

Discussion of *ṣukūk* as an Islamic capital market instrument was done from different angles in the literature such as the various types, the legitimacy aspects and Sharī'ah challenges regarding issuing *ṣukūk*, risk exposures by the investors, pricing methodology, and how issuing *ṣukūk* helps the government and supports economic growth. All aforementioned areas are crucial, but only two of them will be covered deeply in this section to formulate the most appropriate assessment criteria for newly issued *ṣukūk*.

Legitimacy Aspects and Sharī'ah Challenges of *Ṣukūk*

Claiming that a certain certificate in the capital market is a *ṣukūk* does not necessarily mean it is completely Sharī'ah compliant. Previous experiences with issued *ṣukūk* have highlighted numerous legitimacy issues, prompting detailed discussions aimed at standardising them within a globally acceptable framework. The legitimacy of *ṣukūk* hinges on various factors, starting with the originality of their structure and the formulation of their pricing, as well as the domestic laws regulating them. Additionally, it involves examining the mechanisms for generating and distributing profits, ensuring the documentation aligns with Sharī'ah principles to verify asset ownership, and establishing a Sharī'ah supervisory board (SSB) that approves all the aforementioned aspects (Ahmed *et al.*, 2015).

Those are fundamental legitimacy factors for *ṣukūk* and directly impact their rating and reputation in the market. For instance, the *ṣukūk* market witnessed a considerable drop after the criticism of Sheikh Taqi Usmani in 2007, directed at most of the *ṣukūk* issued that were not fully Sharī'ah compliant. Following this incident, several professional bodies took action to guide the direction of *ṣukūk*. For example, the IFSB issued the Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services (IFSB-9) in 2009. Subsequently, in 2010, the Shariah Governance Framework was published by Bank Negara Malaysia. Additionally, the Islamic Finance Council presented the Islamic Finance Transparency Standard in order to improve the application of Islamic products, provide a comparative portrayal for investors, and protect consumers (Ahmed *et al.*, 2019).

Ṣukūk, as mentioned before, are tradable certificates representing an asset that provides stable returns. This implies that all the elements associated with the *ṣukūk* should be Sharī'ah compliant, starting with the asset in question, which should be halal and ethical (which would exclude tobacco and alcohol factories or casino buildings). Also, there should be no doubt regarding the ownership documentation that should be presented by the *ṣukūk* issuer. The aim of legal documentation is to offer assurance and safeguard to the parties involved in a contract, ensuring that their rights, duties and obligations are explicitly outlined in the terms of the agreement. This assurance empowers them to seek legal remedies if the contractual outcomes

deviate from the agreed-upon terms (Rosly, 2010). However, ownership rights generate liability (*ḍamān*) on the owner, who then becomes the guarantor. 'The majority of jurists use the term (*ḍamān*) to mean bearing the burden, liability, or responsibility in the event of the destruction of goods sold, and they deem this to be a condition for the validity of a sale after purchase' (Abdul Razak & Saupi, 2017, pp. 150–151). Ownership should be full, proven and legal, whereby these main elements give the right of disposal to the owner to sell the asset to one buyer or many.

The aspect of ownership should be linked to specific Sharī'ah screening or assessment criteria, enhancing stability and fairness in the process of issuing *ṣukūk*. 'The independence of Fiqh institutions enables Islamic jurists to interpret relevant Shari'ah rules freely and engage in *ijtihād*. *Shura* institutions, on the other hand, play a vital role in legislating regulations and ensuring compliance and accountability' (Bashir, 2002, p. 83). While the majority of advisory and regulatory bodies in the concerned government have issued laws for *ṣukūk* issuance, emphasising the role of the Sharī'ah board in confirming the permissibility and Sharī'ah compliance, the inclusion of a specific article or rule in the law pertaining to the ownership of the asset in question, along with any related documentation requirements, can streamline the *ṣukūk*-issuing process and enhance investor confidence. Consequently, the *ṣukūk* issuer has a responsibility to provide truthful and complete information about the ownership aspect. According to IFSB-9, issuing any kind of misleading information, whether intentionally or due to negligence, is not acceptable for institutions offering Islamic products such as *ṣukūk*.

Moreover, the pricing of *ṣukūk* is another challenge that needs to be examined while considering the Sharī'ah point of view. According to Securities Commission Malaysia, *ṣukūk* represent the value of an asset, but that value is often changeable due to fluctuations in the overall level of prices. Moreover, as Islamic quasi-bonds, *ṣukūk* should provide annual returns to the holders and be tradable in the secondary market. The Islamic capital market faces the issue of the absence of a benchmark rate for pricing *ṣukūk* or other products, resulting in the use of conventional rates such as LIBOR. Ahmed *et al.* (2014) discussed several obstacles regarding pricing *ṣukūk*, including when there are a small number of investors or market players, leading to low liquidity.

The price mechanism relies, in the first stage, on the type of *ṣukūk* (*ijārah*, *murābahah*, *muḍārabah*, and *mushārah*). Generally, the pricing process of *ṣukūk* is built on the time value of the asset in question. The price of *ṣukūk* is currently the present value of the asset at the maturity or redemption date, with the annual returns from that asset, whether those returns are fixed or variable (Razak *et al.*, 2019). The authors criticise several practical ways for pricing certain types of *ṣukūk*, for instance, *muḍārabah ṣukūk* that include fixed yields. The authors mention another related issue for this type of *ṣukūk*, when the issuer uses *bay' al-ṭinah* in the linked contract.

In *ijārah ṣukūk*, a set yearly percentage can be employed, or it can be tied to established factors like inflation or interest rates. This approach promotes fairness for all involved. As a result, *ṣukūk* pricing encompasses various components that serve as benchmarks for investors, thereby bolstering the reliability of *ṣukūk*. The balance and fairness between the two parties (seller and buyer) in determining the price of *ṣukūk* should also be taken into consideration. One possible way to achieve that is through benchmarking against an independent measure for the cost of fund such as the LIBOR. Finally, all the aforementioned issues, as well as others, should

be thoroughly examined by the SSB, which is responsible for providing the final approval before issuing the *ṣukūk*. The SSB, consisting of experts in Sharī'ah, should evaluate the *ṣukūk* from the Sharī'ah perspective before giving their approval. The role of the SSB in legitimising the *ṣukūk* process is an essential factor that promotes the transparency and sustainability of this significant Islamic financing instrument.

The impact of the SSB not carefully studying all Sharī'ah issues related to a *ṣukūk* will be significantly negative in the long run. There are several administrative procedures that should not be overlooked by the SSB, such as the transfer of ownership from *ṣukūk* assets to holders; otherwise, holders will face complicated problems in the event of issuer default (van Wijnbergen & Zaheer, 2013). According to AAOIFI, the SSB needs to review all related documents and actual transactions, rather than solely focusing on the *ṣukūk* structure. The relationship between *ṣukūk* documentation and its legitimacy is evident and has been proven by several studies. However, Ahmed *et al.* (2018) demonstrated, through quantitative methodology, that SSBs have only marginally impacted the relationship between *ṣukūk* legitimacy and their documentation.

Full Disclosure to Support *Ṣukūk* Stakeholders' Needs

The Islamic ethical principles call for honesty and transparency in *ṣukūk* offerings. This means that the issuers have to provide full disclosure about all related transactions. They should disclose the structure of *ṣukūk*, the ownership, and annual returns that will be distributed. The financial performance of the originator and its financial position are also two important factors for investors to consider when buying those *ṣukūk*, especially in *muḍārabah* or *mushārah* *ṣukūk*.

In reality, the volatility of represented assets is considered the main risk for *ṣukūk* investors. In addition, asymmetric information is also a significant risk in *ṣukūk* from the investor's perspective, where the issuer often possesses the necessary information about the fair value of the represented asset. Moreover, the expected changes in that value are often known by the original owner. This information may be manipulated to increase the issuer's benefits by inflating the initial price of *ṣukūk* or attracting more investors. According to Abdul Halim *et al.* (2020a), corporate *ṣukūk* are subject to asymmetric information risk, similar to other conventional debts in the capital market.

Although the values and principles of Islam have fostered a comprehensive set of responsible and ethical business practices, their implementation by *ṣukūk* issuers is not guaranteed. In practice, the Generally Accepted Accounting Principles (GAAP) can be exploited by management to serve internal interests, leading to misleading accounting reports for stakeholders, particularly in terms of contractual agreements (Abdul Halim *et al.*, 2020b). Management practices and discipline play an essential role in fostering corporate growth and instilling investor confidence (Persakis & Iatridis, 2015). Moreover, unethical intentions often drive bad earnings management practices. Abdul Halim *et al.* (2020b, p. 195.) found that '*ṣukūk* issuers overstate their earnings in the year preceding *ṣukūk* offerings and in the year subsequent to the offering'. Consequently, labeling a corporation as Islamic or Sharī'ah compliant does not guarantee an entirely ethical company free from manipulation practices. These Islamic products can be exploited by others to attract Islamic capital. However, Abdul Halim *et al.* (2020b, p. 196)

pointed out that 'a Muslim-dominated board is associated with less earnings management, supporting the idea of Islamic business ethics'.

Several other factors impact management practices, not only internal beliefs and values but also effective corporate governance, which is considered an important factor in improving these practices and developing a firm's ability to fulfil its obligations. The credit rating of the *shukūk* issuer is logically linked to the *shukūk* rating, where any unaffordable credit assessment may lead to a predicted default risk in *shukūk* as well (Zakaria *et al.*, 2012). The set of internal rules and procedures that guide the work cycle often optimise the use of available resources, especially borrowing. On the other hand, good corporate governance practices, such as an appropriate board of directors' size and the independence of that board, positively influence *shukūk* ratings (Elhaj *et al.*, 2015). Consequently, disclosing the internal corporate governance rules of the *shukūk* issuer supports the reliability of these *shukūk*.

Moreover, discussing the financial disclosure of any firm is a very complicated and comprehensive aspect because it involves different perspectives that cater to the needs of various stakeholders. For instance, creditors focus on liquidity ratios, while potential investors prioritise return on equity (ROE) ratios. Moreover, the emergence of a new era of technology has brought forth several intangible assets such as brands and intellectual properties, necessitating special disclosure criteria. However, the main principles guiding management in providing the most accurate financial disclosure are relevance and reliability.

Regarding *shukūk*, the value of the asset in question is pivotal for investors, who should be aware of the factors determining that value. Additionally, the annual recognition of the represented asset in the balance sheet, whether in fair value or historical cost, affects the investors' decision-making process. IFSB-9 considers this information as an integral part of the fair and truthful treatment of the clients of Islamic financial institutions. However, some Shari'ah obstacles were discussed regarding fair value level 2, where the value of the asset is determined by factors other than the price in the active market, and level 3, where the discounted cash flow of the asset in question should reflect the current value. These two levels involve a kind of uncertainty (*gharar*) that is not permissible from a Shari'ah perspective (Shafii & Rahim, 2016). This implies that fair value level 1, which relies on the active market to evaluate the value of the asset, is considered an acceptable fair value from a Shari'ah perspective. Reliability in measuring the fair value of assets that do not have an active market is a debatable issue in the business environment (Landsman, 2007).

Roles of IFSB and AAOIFI in *Shukūk* Disclosure

Shukūk issuers should have a profound understanding of the intricate relationship between legitimacy and financial disclosure in the context of this Islamic financing instrument. The two most significant professional bodies in the Islamic finance industry have issued standards for *shukūk*, aiming to promote transparency and fairness for all stakeholders, particularly the *shukūk* holders. IFSB-19, FAS 33, and FAS 34 provide guidance to Islamic financial institutions for seamless *shukūk* issuance, treatment, reporting, and to foster greater stability in the Islamic capital market by emphasising the key issues that require comprehensive disclosure. These standards underwent an extensive process, with all industry feedback and regulatory input meticulously considered before the final versions were published.

General principles should cover acceptable practices for both the Islamic capital market and the conventional market. However, special criteria and the concerns of investors in the Islamic capital market were taken into consideration. The first principle involves clear and accurate information, ensuring that all provided documents are clear and do not mislead users, especially investors. The second principle emphasises sufficient information, advocating for full disclosure of information that is necessary for investors to make informed decisions, both during the initial issuance and the ongoing status of the work. The third principle underscores the importance of timely information, which requires the provision of material information promptly during the operation of the venture, not just during the issuance of *ṣukūk*.

The specific principles of *ṣukūk* disclosure in IFSB-19 are concentrated on the public offering, while regulatory bodies may opt for private offerings for special purposes. Firstly, *ṣukūk* disclosure should reflect all particular characteristics, as well as any special Sharī'ah considerations associated with these characteristics. Moreover, there should be Sharī'ah-related disclosures that cover all Sharī'ah aspects of the issued *ṣukūk*. Furthermore, a well-described structure of *ṣukūk* is a crucial factor for investors, enabling them to evaluate any related risks, particularly legal risks, especially if there are several parties connected to *ṣukūk* agreements. Finally, adequate disclosure should be provided about any related entities that may influence the investment decision in the *ṣukūk* in question.

The role of AAOIFI is more practical and linked to the complex accounting and auditing issues. FAS 33 aims to guide the process of classification, recognition, measurement, presentation, and disclosure of *ṣukūk*, shares, and other similar Islamic financial products. An SPV, often financed through issuing *ṣukūk*, is a fully independent venture with its own accounting system, providing annual financial statements that include several items, with *ṣukūk* being one of them. This implies that providing reliable and transparent annual reports about the SPV is a sustainable success factor. The stakeholders need to ensure that all applied accounting treatments in the SPV are Sharī'ah compliant, especially in the main accounting recognition.

According to AAOIFI, improvement in *ṣukūk* accounting practices is demanded by the industry. Various comments and recommendations were collected during workshops, public hearings, and public interactions, all of which called for improvements to FAS 25. The updated standard, FAS 33, added some important aspects to this subject, such as focusing the classification on the business model rather than the old approach that focused on the best global practices. However, FAS 34 concentrated more on *ṣukūk* holders. This standard aims to establish the rules or principles of accounting treatments and financial statements for businesses and assets related to *ṣukūk*, ensuring the fairness and transparency of relevant reports that serve all stakeholders, especially *ṣukūk* holders. This standard will cover both types of *ṣukūk* issuance, whether directly through the originator or by using an SPV.

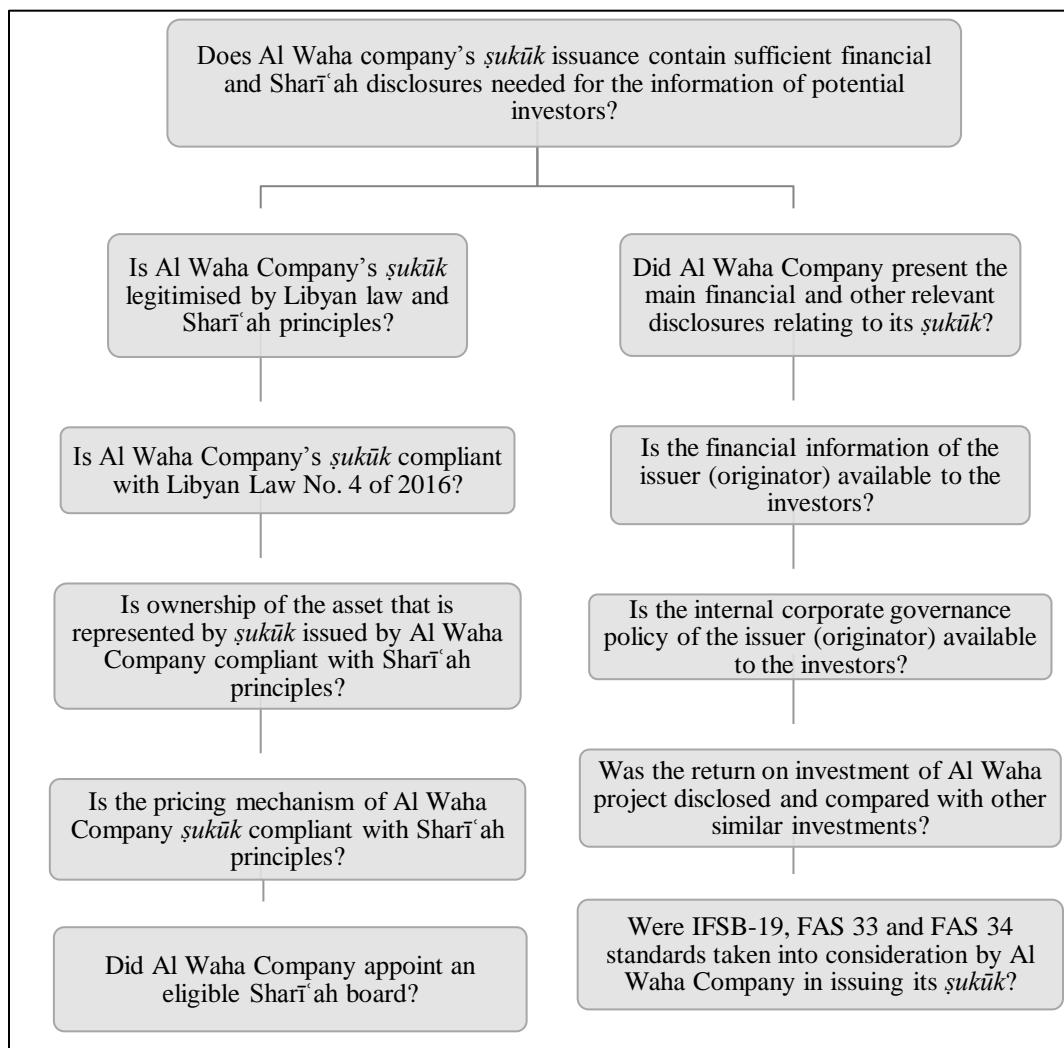
RESEARCH METHODOLOGY

The empirical part of this study will use the qualitative case study methodology to assess the first Libyan *ṣukūk* (Al Waha Company *Ṣukūk*). Building upon the literature discussed above, an assessment template will be constructed to investigate whether the general criteria of the *ṣukūk* in question overcome the main Sharī'ah challenges and if the provided disclosures cover the most important aspects from the perspective of investors. The research will employ the Libyan Law

No. 4 of 2016 as a foundational framework for assessment, encompassing a comprehensive spectrum of Sharī'ah and financial facets relevant to *ṣukūk*. In instances where specific provisions are absent, references defer to the principles of Sharī'ah, as affirmed by the aforementioned law. Common Sharī'ah concerns, extracted from *ṣukūk* literature, such as pricing and ownership, are also incorporated in the model. Moreover, given Libya's active membership in influential international Islamic bodies, notably the IFSB and AAOIFI, their standards are adopted in the evaluation wherever relevant.

In light of the absence of a clearly defined official Sharī'ah governance structure for a direct assessment, the researchers have devised an assessment model. This model aims to streamline the evaluation into focused queries that yield unequivocal responses. Each question entails a comparative analysis against relevant AAOIFI and IFSB standards, along with alignment to Libyan Law No. 4 of 2016. The proposed model is depicted in **Figure 1**.

Figure 1: Proposed Model



Source: Authors' own

ASSESSMENT OF AL WAHA COMPANY'S *SHUKŪK*

The following addresses the various questions raised in **Figure 1**.

Is Al Waha Company's *Shukūk* Legitimised by Libyan Law and Sharī'ah Principles?

The transformation towards Islamic finance, including the process of making bank transactions compliant with Sharī'ah principles, started in Libya after the change in the political system in 2011. The first elected body in Libya, notably the General National Congress, after decades of a dictatorial system, issued the first law to prohibit usury (interest) in all debit and credit transactions, whether between legal entities (corporations) or individuals, with retroactive effect to all contracts conducted before this law was enacted in 2013.

Is Al Waha Company's *Shukūk* Compliant with Libyan Law No. 4 of 2016?

In January 2016, the first specific law for *shukūk* was issued in Libya by the highest legislative body, the General National Congress, under Law No. 4. The law spanned 23 pages and outlined the primary criteria and features for the issuance of *shukūk* by public and private corporations. Al Waha Company is an SPV established to complete a specific construction project in Tripoli, the capital of Libya. The financing for the Al Waha project will be facilitated through the issuance of *shukūk*. The originator (issuer) is LIDCO, which is considered a public company.

According to Law No. 4 of 2016, the capital of the originator (LIDCO) must be paid in full before the *shukūk* issuance, a condition that was not disclosed by LIDCO. Furthermore, the general assembly of the originator should pass a formal resolution for the issuance of *shukūk*. The general assembly of LIDCO released a resolution on 4 July 2021, seeking financing through *shukūk* for the Al Waha project. Additionally, LIDCO obtained approval from the Libyan stock market and the Sharī'ah board of the stock market based on the conditions of Law No. 4 of 2016. A Sharī'ah board within LIDCO also approved the process of issuing *shukūk*.

The originator (LIDCO) utilised private offerings to collect the necessary funds for the Al Waha project. An offering letter was issued to the investor, the Libyan Fund for Internal Investment and Development, which was expected to hold all the *shukūk* certificates. The subscription letter, prepared by LIDCO and sent to the Libyan Fund, was intended to provide a comprehensive understanding of Al Waha *shukūk*, ensuring compliance with Law No. 4 of 2016. However, the requirement to publish this letter in a formal newspaper and two other local newspapers (as per Law No. 4 of 2016) was overlooked by LIDCO. The subscription period should have been clearly stated, indicating the start and end dates. However, in the case of Al Waha *shukūk*, the subscription will close when the total amount is covered. Furthermore, there is no specification regarding the period for refunding the investor's money if the issuance is not completed due to any reason.

Al Waha *shukūk* are participation and convertible *shukūk*, meaning they can be converted into shares. However, the period for this conversion has not been specified, although it should have been clearly stipulated in the initial offering as per the law. Moreover, these *shukūk* are eligible for 'consumption', a term coined by the issuer to denote the situation wherein an investor elects to convert their undivided ownership of the project into ownership of a specific property within it, maintaining equivalent value to their initial investment. Nevertheless, the rights of LIDCO in this allocation process of *shukūk* have not been detailed.

Overall, although there are some minor discrepancies between the Al Waha *shukūk* issuance process and Law No. 4 of 2016, it can be stated that Al Waha company's *shukūk* is compliant with Libyan Law No. 4 of 2016.

Is Ownership of the Asset That Is Represented by *Shukūk* of Al Waha Company Compliant with Sharī'ah Principles?

The originator utilised a private offering for Al Waha *shukūk*. They sent a subscription letter to the target investor, the Libyan Fund for International Investment and Development, providing a comprehensive description of the project and all necessary information. The project is a large and complex development designed for both residential and commercial purposes. It is strategically located in the southern region of the capital, Tripoli, in close proximity to similar projects. The development plan includes a total of 11 residential buildings and two towers serving as facilities for offices and a mall. The originator provided a detailed account of the project's progress and the remaining funds needed to complete the entire development.

However, despite the project being built on a substantial piece of land measuring approximately 111,579 square meters, the issue of land ownership remains a concern. The Libyan people have faced problems related to unjust confiscations during the previous socialist regime. Numerous lands were seized without fair compensation or valid reasons, enabling certain public or semi-public entities to obtain these lands through allocation resolutions without due consideration for rightful ownership.

LIDCO can be considered a semi-public company that originated from an investment scheme under the previous government before 2011. Initially, an investment fund was established with participation from ordinary citizens, and the returns were supposed to be distributed among the subscribers. LIDCO emerged as part of this fund and currently operates as an independent firm, with a significant portion of its shares still owned by the government.

Therefore, it is imperative that the issue of land ownership for the Al Waha project be thoroughly elucidated. LIDCO should provide a complete set of ownership documents to ascertain whether the original owners were adequately compensated or whether the land in question was common property with no specific individual ownership. This clarification is crucial to ensure that the allocation resolution for the project aligns with Sharī'ah principles, particularly if the land is intended for public benefit. Consequently, there is a significant gap in information pertaining to the ownership of the Al Waha project land.

Is the Pricing Mechanism of Al Waha Company's *Shukūk* Compliant with Sharī'ah Principles?

The price of each *shakk* (certificate) for the Al Waha project was determined based on the project's cost, which includes the constructed and completed part (first part) and the under-construction part (second part). According to LIDCO, the cost of the first part is approximately LYD205 million (USD45,353,985), covering the land cost of LYD133 million (USD29,424,779) and the building cost of LYD72 million (USD15,929,203). This information was stated in the feasibility study of the project. However, the originator mentioned that the market value of the first part is estimated at around LYD205 million (USD45,353,985). This has caused confusion

for the investor regarding the value of the first part of the project and how it was calculated. It remains unclear whether it was based on the historical cost or the market value.

Moreover, the concept of market value or fair value level 1 under IFRS 13 requires an active market that accurately reflects the price of the asset. However, this feature cannot be guaranteed in the Libyan context, especially in relation to this significant investment in Tripoli.

Additionally, the feasibility study estimates the cost of the under-construction part (second part) to be LYD325 million (USD71,902,655) for the finalisation of the buildings and the entire project. Unfortunately, there is no indication of the percentage of completion in the project or the remaining percentage needed to finalise it. Furthermore, the details of the external professional office responsible for the feasibility study, possibly conducted by the originator, are missing.

The total estimated cost for the project is calculated as LYD205 million plus LYD325 million, amounting to LYD530 million (USD117,256,637). Consequently, the originator will request a certain percentage from this total, as the Al Waha *shukūk* was defined as a participation *shukūk* (*mushārah*) between *shukūk* holders and the originator. Regrettably, these clarifications are absent from the LIDCO letter, which states the total number of certificates to be 519 and the nominal face value of each certificate to be LYD1 million (USD221,239), resulting in a total payment of LYD519 million (USD114,823,008). This raises questions about the remaining amount of money (LYD530 million – LYD519 million = LYD11 million) (USD2,433,628), which is typically covered by the originator as a partner, yet this information is also missing.

Furthermore, there is a commission that needs to be paid to the Libyan stock market for approving the issuing process, which amounts to approximately 2.2 per cent of the total issuing value. However, there is no explanation regarding this expense, whether it will be added to the operating cost or how it will be amortised.

Consequently, the pricing mechanism of Al Waha company's *shukūk* involves uncertainties in several aspects that must be thoroughly explained to eliminate any ambiguity that may contravene Sharī'ah guidelines. While the use of market value or price is fully supported by Sharī'ah, it necessitates several conditions, such as an active market that provides fair value to both contracting parties. Furthermore, using two different concepts in the same announcement regarding the price of an asset increases uncertainty for investors, such as the cost and market value of buildings.

Did Al Waha Company Appoint an Eligible Sharī'ah Board?

LIDCO has appointed a Sharī'ah board comprised of three members, two of whom hold a Bachelor of Sharī'ah, while the third member possesses a Bachelor of Law. According to Law No. 4 of 2016 in Libya, Sharī'ah board members involved in overseeing matters related to Islamic finance, as outlined in *shukūk* issuance, are required to possess experience in Islamic financial law, specifically in *mu'āmalāt* (transactions and contracts). This implies that these board members should have both practical work experience and relevant qualifications in Islamic financial law to effectively carry out their responsibilities in ensuring Sharī'ah compliance within the context of *shukūk* activities. Notably, specific details regarding the practical experience of these members were either not provided or are currently unavailable. Considering the intricate nature of Islamic financial transactions and contracts, particularly in the issuance of *shukūk*,

specialised skills and knowledge are imperative to effectively address any Sharī'ah-related challenges or concerns presented to investors and other stakeholders. An eligible Sharī'ah board not only enhances the credibility of *ṣukūk* but also fosters increased transparency in the approval of various agreements and contracts overseen by this board. However, merely mentioning the names of the Sharī'ah board members by the originator (LIDCO) may not sufficiently bolster the position of this board in the *ṣukūk*-issuing process.

Did Al Waha Company Present the Main Financial and Other Relevant Disclosures Relating to Its *Ṣukūk*?

Is the financial information of the issuer (originator) available to the investors?

The previous financial performance of a *ṣukūk* originator often serves as a foundation for trust in its new *ṣukūk*, particularly in the case of *mushārah ṣukūk*. The originator of Al Waha *ṣukūk* (LIDCO) is not listed on the Libyan stock market, and there is no published financial information available regarding its business capabilities. For instance, the statement of financial position of LIDCO for the previous year, as well as the statement of profit or loss, are not accessible to investors. These two essential statements could offer indicators of LIDCO's performance and whether it possesses the capability to complete the current project within the target time and at the target rate of return. Therefore, the absence of this financial information concerning LIDCO will have a detrimental impact on the assessment of Al Waha *ṣukūk*.

Is the internal corporate governance policy of the issuer (originator) available to the investors?

The corporate governance policy corrects any deviation in management attitude and supports work within a specific target framework. Providing the general corporate governance vision of the *ṣukūk* originator to the investors or publishing some of the internal corporate governance procedures of the originator can support transparency and trust in those *ṣukūk*. These procedures demonstrate the seriousness and abilities of the *ṣukūk* issuer in executing the work in the most appropriate manner. However, the letter to its target *ṣukūk* investors does not mention any corporate governance policy by LIDCO.

Was the return on investment of Al Waha project disclosed and compared with other similar investments?

Based on the *ṣukūk* subscription prospectus, the rate of return on Al Waha *ṣukūk* is 10 per cent. This return will be distributed among the partners based on their capital participation. The total cost of the project is known to be LYD530 million (equivalent to USD117,256,637), which can be considered the project capital. While the share capital of the *ṣukūk* holders is known, the share capital of the originator (LIDCO) remains unclear. As this project is financed through *mushārah ṣukūk*, it is essential to clarify the role of the originator to determine whether it is a capital provider or a worker partner (*muḍārib*), while the *ṣukūk* holders are only capital providing partners.

Furthermore, it is important to compare the provided rate of return with other similar projects or investment opportunities, or to provide the general rate of return for the region. This comparison will aid investors in assessing whether Al Waha *ṣukūk* represents an attractive

investment opportunity. Although Al Waha *ṣukūk* has been rated A2 by the Libyan Company for Credit Services, an independent third party, this rating should be supported by real financial performance ratios.

One of the main challenges that must be addressed by the *ṣukūk* originator is the default risk. The current unstable situation in Libya has a negative impact on most business expectations, especially regarding a guarantee of the rate of return. Additionally, the considerable increase in property market and real estate prices, particularly in major Libyan cities such as Tripoli, raises questions about the stability and authenticity of these prices in determining returns. The purchasing power of the Libyan people is also a critical factor that needs to be taken into consideration, as this project requires a specific class of people who can afford to purchase the residential units. Hence, it is essential to assess whether the originator has studied the capabilities of the target audience.

On the other hand, *ṣukūk* holders have the right to convert them to shares, and the project period is one year. Consequently, the units will be sold to achieve the target profits. It is crucial to specify when the option of converting to shares will be applicable. Additionally, the relatively short expected period of the project and the unclear conditions of the participation contract, such as the return of capital on 30 January 2023, raise questions about who will buy these *ṣukūk*. Given the current issues faced by the Libyan stock market, it appears that there is no active market for purchasing these *ṣukūk* or even determining their fair value. Therefore, it is imperative for the originator to introduce and explain this issue thoroughly.

Overall, the financial disclosures of Al Waha *ṣukūk* lack several crucial elements, particularly regarding the distribution of profits and the assurance of the capital rights of the *ṣukūk* holders.

Are IFSB-19, FAS 33 and FAS 34 standards taken into consideration by Al Waha Company in issuing its ṣukūk?

IFSB-19, FAS 33 and FAS 34 standards cover many vital aspects about issuing *ṣukūk* to make them transparent and credible financing instruments. Thus, the originator of Al Waha *ṣukūk* should study them alongside compliance with Libyan Law No. 4 of 2016, which was issued after all the aforementioned standards. According to IFSB-19, the variation in Sharī'ah views (fatwa) needs more explanation by the originator, where relevant documentation for the detailed review adopted by its Sharī'ah board has to be provided, as some investors may only accept fatwas from a specific group of Sharī'ah scholars. This extra Sharī'ah explanation is missing in Al Waha *ṣukūk*. Also, based on IFSB-19, 'disclosure should describe the Sharī'ah review process followed and what documents (e.g., term sheets, summary papers, drafts contracts, and/or final contracts) were reviewed by the scholars. It should also indicate whether there were related external arrangements that were not considered (e.g., external hedging arrangements)', all of which are missing in the offering document of Al Waha *ṣukūk*.

Moreover, there are several important disclosures that should be presented by the institutions that provide Islamic products, as mentioned in FAS 33, such as accounting policies adopted for the classification, recognition, and measurement of investments. The variation in general accounting principles leads to different final results, so the *ṣukūk* holders need to be aware of the particular accounting policies adopted by Al Waha *ṣukūk* issuer. As mentioned

before, the financial and accounting information of the originator (LIDCO) is missing. Also, the expected accounting policies and treatments that will be used in the Al Waha project are absent in the offering document of its *shukūk*.

Finally, FAS 34 covers many disclosures that support transparency toward *shukūk* holders, and some of them are adopted by LIDCO. For instance, disclosure about the business nature and its main activities, as well as its assets, was mentioned in the offering document. However, according to FAS 34, the originator should present 'disclosure in respect of the value of the underlying assets and information necessary to ascertain its reliability in line with Sharī'ah principles, depending on the nature of the instrument'. Also, there should be 'disclosure about the ownership and control of the SPV, particularly if it is controlled by the originator'. In addition, the originator should determine techniques that were used to specify the fair value of the business and the assets in question. All these aforementioned and other necessary disclosures are missing in Al Waha *shukūk*, although they are considered the minimum disclosure requirements according to AAOIFI.

CONCLUSION

Sharī'ah-compliant corporations face challenges in financing their activities as most available financing instruments are not Sharī'ah compliant. However, *shukūk* as an Islamic financing alternative creates several benefits to the issuers, which are deficit economic units, and investors, which are surplus units. Most Islamic regulatory, advisory and professional bodies, whether at the international or national level, work to establish an applicable framework that guides institutions providing Islamic products such as *shukūk* toward best practices in accordance with Sharī'ah principles. For instance, AAOIFI has issued two standards related to *shukūk*, FAS 33 and 34. Similarly, the IFSB has issued Standard 19, providing guidance to regulatory and supervisory authorities to establish appropriate regulations for issuing *shukūk*. These efforts stem from the practical problems encountered during the initial issuance of *shukūk* in various locations worldwide (Oakley, 2008). Ahmed *et al.* (2019) discuss the reputation of *shukūk*, emphasising its Sharī'ah compliance as a crucial transparency index and fundamental aspect influencing investors' decisions. Legitimacy and Sharī'ah concepts pose significant and intricate challenges in the issuance of *shukūk*. For instance, Ahmed *et al.* (2014), Ahmed *et al.* (2017), and Razak *et al.* (2019) delve into issues regarding the pricing of various types of *shukūk* from a Sharī'ah perspective.

To the authors' knowledge, there is currently no practical model for assessing the attractiveness of *shukūk* as a financial instrument based on the aforementioned standards issued by the IFSB and AAOIFI. Therefore, this study evaluated the first Libyan *shukūk* (Al Waha *shukūk*) using a specific framework that includes some fundamental questions. The findings indicate that Al Waha *shukūk* cannot be considered an attractive financing instrument due to several Sharī'ah issues, such as inadequate ownership documents and the qualifications of the SPV's Sharī'ah board. Additionally, crucial financial information is missing about the originator and its capabilities for finalising the project. This finding highlights the need of having a clear Sharī'ah and regulatory framework in Libya. Such frameworks would guide the *shukūk* issuers on following the Sharī'ah and transparency requirements, which in turn, may help boost public confidence.

Consequently, while the introduction of new Islamic financing instruments to the Libyan market is commendable, the unstable situation of the country demands patience to prevent the misuse of Libyan public funds. Policymakers in Libya are advised to strengthen the regulatory requirements governing future *ṣukūk* issuances. The suggested enhancements should include the requirement for sufficient disclosures regarding the financial feasibility of the *ṣukūk* issuance, as well as the publication of adequate disclosures to ensure full Sharī'ah compliance.

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DECLARATION

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Appendix

None