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Sharia Capital Market : Securities Fatwa, Derivative Securities and Mechanisms

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ABSTRACT

Investment in developing assets to be better in the future, halal investment is the choice of the community, namely sharia investment in the Islamic capital market. Halal investment is definitely good which is supported by regulations in the form of fatwas issued by DSN MUI regarding securities, derivative effects, as well as issuance mechanisms in the Islamic capital market. This study aims to educate the public about securities regulation in the Islamic capital market. The research method was carried out using qualitative methods and neutral methods using secondary data. The results of this study explain regulations in the form of fatwas issued by DSN MUI as many as 23 fatwas consisting of 7 fatwas regarding securities in the Islamic capital market.

Keywords: *Capital market; Sharia; Fatwa; Securities; Mechanism.*

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INTRODUCTION

The community has great potential to invest, but because of the lack of legal investment literacy, it is also lawful that people feel 'cheated' by investment as a commitment to a number of funds with the aim of making profits in the future (Tandelilin, 2001). Based on the sharia capital market *road map* in 2015-2019 that more than 90% of the public do not know about investing in the Islamic capital market so that the impact on Islamic capital market instruments is only more than 10% (Mubarok, 2018).

Islam regulates muamalah activities which are divided into consumption, savings or savings and investment activities (Muhammad, 2004). Islam recommends investing because as an effort to get a better life in the future, investing in Islam is not only a fulfillment of world needs, but investment success is based on the provisions and will of Allah SWT, in human investment activities must be based on sharia principles; prohibition of *usury, maysir, gharar* (Hamidi, 2003). Islam commands to

make profitable investments as in HR. Tabrani (Muhamad, 2009) "*Be the first, don't be the second, let alone the third. Whoever is better today than yesterday, he is one of the lucky ones. Whoever today is the same as yesterday, he is one of the losers. And whoever is worse today than yesterday, he is one of the wretched.*"

One investment that is currently developing is investment in the Indonesian capital market, which is divided into the conventional capital market and the Islamic capital market. If the conventional capital market was established several decades ago while the Islamic capital market was only established for a decade, which is approximately around 2010 one of the extraordinary developments based on data from the Indonesia Stock Exchange (IDX) in Republika recorded the growth of investors in 2019 as many as 68,599 then in 2020 increased by 2.2%, namely as many as 70,135 investors (Novita, 2020) . Capital market in accordance with Law Number 8 of 1995; Capital Market (UUPM) is activities related to Public Offering and trading of Securities, Public Companies relating to the issued Securities, as well as institutions and professions related to Securities and Islamic capital market which can be interpreted as activities in the capital market regulated in UUPM which are not contradictory. with sharia principles (OJK, 2017) .

The Islamic capital market is a business activity, as a financial institution that has a strategic role as a source of long-term funds, a source of financing in meeting the funding needs of both BUMN and the government as well as an investment vehicle that can involve the community in accordance with Islamic sharia (Wiyanti, 2013) . At the time of investing, of course, we must choose and sort out investments so that our assets can develop properly, can place our assets in the right investments and produce good returns, but above all we must also place our assets for halal investments because something good is not necessarily halal. For this reason, in investing, we should follow His rules , such as looking at the various regulations that follow, both those issued by the Government and sharia rules. This study is intended to provide a literacy study on regulations issued by the Government based on the basis of sharia law, namely the Qur'an and Hadith in the form of fatwas issued by the National Sharia Council-Indonesian Ulema Council or SDN-MUI related to fatwas related to The Indonesian Capital Market then issued a fatwa regarding the derivatives of securities as well as those related to the mechanism for issuing these securities

METHODOLOGY

This research was conducted using a qualitative method based on secondary data obtained from the DSN MUI fatwa related to this research (Moleong, 2014) as well as using the online netnography method which is a social science method by combining where the required data is sourced from the internet such as documents, participation is also online observation with digital and network data collection methods, analysis and representation of online research (V Kozinets, 2015)

RESULT AND DISCUSSION

The Islamic capital market has a legal basis as a guide for its implementation in the Islamic capital market based on the Qur'an and Hadith, how to manage it, but in practice the community has not been able to distinguish between the Islamic capital market and the conventional capital market, so strategic management is needed in the development of the Islamic capital market . Amalia, 2019) . Based on the DSN-MUI fatwa No. 40/DSN-MUI/X/2003 concerning the Capital Market and General Guidelines for the Implementation of Sharia Principles in the Capital Market Sector (DSN-MUI, 2002a)

1. The Qur'an, the Word of Allah ; ...and Allah justifies buying and selling and forbids usury... (Surah al-Baqarah: 275)44; ...for every ummah among you, We give you rules and a clear path... (Surat al-Maidah: 48);
2. Hadith of the Prophet Muhammad: "The Messenger of Allah forbade trading containing gharar" (HR. Muslim, Tirmidhi, Nasa'I, Abu Daud, and Ibn Majah from Abu Hurairah); "Muslims (in freedom) according to their terms and agreements, except for conditions that forbid what is lawful or justifies what is unlawful." (at-Tirmidhi);
3. Fiqh Rules: "Basically, all the form of muamalah may be carried out unless there is evidence that forbids it.";
4. Ulama's Opinion ; Dr. Wahbah al-Zuhaili in Al-Fiqh Al-Islami waAdillatuhu juz 3/1841: Deal with transaction activities on legal shares are allowed, because the shareholder is a partner in the company in accordance with with the shares it owns.

The Indonesian Ulema Council in issuing fatwas has guidelines based on legal sources, namely Al Qut'an, Sunnah then Ijma and Qiyas where there are several other considerations such as economic development, capital markets based on sharia principles developed in state institutions as well as a country with a Muslim population. a capital market is needed with its activities in accordance with sharia (Masrina, 2020) . The word fatwa based on the Indonesian Dictionary is a decision or opinion given by the *mufti* or expert on a problem; the advice of the pious; good lessons; advice (Kemendikbud, 2016) , it can be simplified that a fatwa as a result of a fiqh or *ijtihad study* from a mufti related to a legal event submitted to him, a fatwa is more specific than a general fiqh study because it could be that the fatwa has already been issued and has also been formulated in a fiqh study but not understood by fatwa requesters (Hezbollah & Haidir, 2021) . According to KH Hasanuddin as Chairman of the BPH DSN-MUI until the end of 2020 has produced a fatwa related to the Islamic capital market consisting of 20 sharia securities fatwas and 4 fatwas on the transaction mechanism, fatwas regarding derivative effects which were submitted to Republika (Wulandhari, 2021) . The following are the fatwas issued by the DSN MUI regarding the Indonesian Capital Market both regarding securities, fatwas derived from securities and fatwas on the transaction mechanism,

Fatwa on Sharia Securities

1. Sharia Securities Repo

Based on Fatwa No. 94/DSN-MUI/VI/2014 concerning Repo Sharia Securities (SBS) Based on Sharia Principles (DSN-MUI, 2014a) , there are several provisions:

- a. SBS Repo Transaction is a sale transaction of sharia securities by a Sharia Financial Institution to another Sharia Financial Institution or to a conventional institution and vice versa with a promise to repurchase by the seller in the future;
- b. Repo SBS transaction provisions ; Repo SBS transactions are carried out under an al-bai' ma 'a al-wa'd bi al-syira' contract; The sale and purchase contract of SBS must be carried out with a real sale and purchase contract (al-bai' al-haqiqi) which is marked among others by the transfer of ownership of the SBS that is traded along with all rights and other legal consequences attached to it; The SBS seller promises to repurchase the SBS in the future; and the Buyer also promises to resell the SBS in the future (mutually promise Imuwa 'adah); The sale and purchase of SBS using/referring is agreed upon; Islamic Financial Institutions (LKS) and Conventional Financial Institutions (LKK) may become sellers and/or buyers of SBS repo; carried out by financial institutions must be at market prices or prices 6. Conventional Financial Institutions (LKK) that conduct buying and selling SBS must be subject to and comply with the provisions contained in this fatwa; 7. In the event that the promise is not fulfilled, the party who breaks the promise may be subject to sanctions;

2. Sharia EBA

Based on fatwa number 120/DSN-MUI/II/2018 Securitization in the Form of Asset Backed Securities Based on Sharia Principles (DSN-MUI, 2018a) , with the following general provisions:

- a. Securitization is the transformation of illiquid assets into liquid ones by selling assets by the Originator to Investors by issuing Asset Backed Securities;
- b. Asset Backed Securities ("EBA") are securities (securities) issued by the issuer consisting of a set of assets;
- c. Sharia Asset-Backed Securities ("EBA") are securities (securities) issued by the issuer consisting of a set of Sharia Assets and the mechanism does not conflict with sharia principles.
- d. Sharia Assets in the Form of Dain (ASBD) are assets that arise from buying and selling (bai), loans (qardh) and rentals (receivables).
- e. Non-Dain Sharia Assets (ASBBD) are assets that arise from financing or transactions based on mudharabah, musyarakah dail or other contracts in which the position of asset ownership is still with the originator.
- f. Issuer is the Party that issues EBA-Sharia. 7. Originator (Original Financing Provider) is a Party that sells its Sharia Assets to EBA-Sharia holders collectively

where the assets are obtained by the relevant party due to the provision of financing, sales, and/or other services related to their business;

- g. Servicer is a party who is responsible for processing and supervising payments made by debtors, taking early action in the form of warnings or other things because the debtor is late or fails to fulfill his obligations⁴ in negotiating, settling claims against debtors and other services specified in the contract;
- h. Investor is the party (person or business entity) who buys/holder of EBA-Sharia;
- i. Financing Support is a party that provides facilities to improve the quality and value of Sharia assets and/or securities in the Securitization process as well as for the provision of financing facilities;
- j. *Wakalah* is a contract of power of attorney from muwakkil to a representative urfuk to perform certain legal actions. *Wakalah bi al-Ujrah* is a wakalah contract accompanied by a reward in the form of ujarah (*fee*); *Kaffilah* is a guarantee contract given by the guarantor (kafil) to a third party (maffil lahu) to fulfill the obligations of the second party or the borne (maldul 'onhu, ashil); ; *Kafalah bi al-Ujrah* is a guarantee (kafalah) accompanied by a reward in the form of ujarah (*fee*).

3. Sharia Mutual Funds

Based on fatwa number 20/DSN-MUI/IV/2001 (DSN-MUI, 2001) regarding Investment Implementation Guidelines for Sharia Mutual Funds with general provisions;

- a. Mutual Fund is a forum used to collect funds from the investor community to be reinvested in the securities portfolio by the Investment Manager.
- b. Securities Portfolio is a collection of securities that are owned collectively by investors in a Mutual Fund.
- c. Investment Manager is a party whose business activities are managing a Securities Portfolio for customers or managing a collective investment portfolio for a group of customers.
- d. Issuer is a company that issues Securities to be offered to the public.
- e. Securities are securities, namely acknowledgments of debt, commercial securities, shares, bonds, proof of debt, units of participation in collective investment contracts, futures contracts for securities, and any derivatives of securities.
- f. Syari'ah Mutual Funds are Mutual Funds that operate according to the provisions and principles of Islamic Sharia, either in the form of a contract between the investor as the owner of the property (*Sahib al-Mal/ Rabb al-Mal*) and the Investment Manager as the Representative of the Sahib Al-Mal, as well as between Investment Manager as a representative of *shahib al-mal* with investment users.
- g. *Mudharabah/qirad* is a contract or system in which a person gives his property to another person to be managed with the proviso that the profits obtained (from the results of the management) are divided between the two parties, in

accordance with the terms agreed upon by both parties, while the losses are borne by *sahib al-mal* as long as there is no negligence from *mudharib*.

- h. Prospectus is any written information in connection with a Public Offering with the aim of getting other parties to buy Securities.
- i. Custodian Bank is a party whose business activity is to provide custody services for securities and other assets related to Securities and other services, including receiving dividends and other rights, completing Securities transactions, and representing account holders who are customers.

4. Sharia Stock

Based on fatwa number 135/DSN-MUI/V/2020 regarding shares (DSN-MUI, 2020a) with the following general provisions:

- a. Shares are proof of ownership of a company whose share of ownership (*hishshah sya' i'ah*) cannot be ascertained, and has the same value.
- b. Sharia Shares are Shares that meet the provisions and criteria based on sharia principles.
- c. Ordinary Shares (*al-Ashum al-'Adiyah/Common Share*) are Shares that have voting rights not to make decisions at the GMS regarding all matters relating to the management of the company, have the right to receive dividends distributed and receive the remaining assets resulting from liquidation.
- d. Preferred Shares (*al-Ashum al-Mumtazah/Preferred Share*) are shares that have special rights over Ordinary Shares in terms of obtaining the right to receive dividends beforehand and/or fixed dividends and/or rights to claims for distribution of the remaining assets of the Company. prior to liquidation.
- e. Company is a Limited Liability Company in the form of a legal entity which is a capital partnership, established based on an agreement, conducting business activities with authorized capital which is entirely divided into Shares and meets the stipulated requirements.
- f. Issuer is the party conducting the Public Offering.
- g. Public Offering of Shares is an offering activity carried out by an Issuer to sell Shares to the public based on the procedures regulated in the Act and its implementing regulations.
- h. Authorized *Capital* is the entire nominal value of Limited Liability Company Shares as stated in the Articles of Association.
- i. Issued capital (*issued/subscribed capital*) is capital that the founders or shareholders are capable of paying off, and the shares have been handed over to him to be owned. .
- j. Paid-up capital (*paid-up capita*) is capital that has been entered by shareholders as payment for shares taken as issued capital from the company's authorized capital.
- k. Portfolio capital or *unissued shares* are shares/capital that have not been issued or issued.

- l. Initial Stock Market is the activity of offering or selling shares for the first time by the issuer of Shares either through a Public Offering or not through a Public Offering.
- m. Secondary Stock Market is an activity to transfer Shares and rights to Shares that have been issued in the Primary Stock Market.
- n. *Syirkah contract* is a cooperation contract between two or more parties for a particular business in which each party contributes assets/business capital (*ra's al-mal*) provided that the profits are divided according to the agreed ratio or proportionally, while the losses are borne by the parties. proportional to the working capital. This *Syirkah* is a form of *General Syirkah* and is known as *Syirkah Inan*; *Musahamah Syirkah Contract* (*Shirlmh al-Musahamah Dzat al-Mas'uliyah al-Mahdndah*) is a *Syirkah Contract* whose share ownership (*hishshah*) of the partners' or investors' capital is based on Paid-in Capital as evidenced by Shares; *Syirrah Musahamah* is a company whose establishment uses the *Syirkah Musahamah Agreement* .
- o. *Wakalah contract* is a contract of granting power and *muwakkil* to a representative to carry out certain legal actions ; *Wakalah bi ul-istitsmar contract* is a *Wakalah contract* to invest and develop *Muwakkil's capital* either with a reward (*Wakalah bi al-Ujrah*) or without compensation (*Wakalah bi ghairi al-Ujrah*).
- p. *Muwakkil* is the party that gives power, either in the form of a person (*Shakhshiyah thabi'iyah/natuurlijke person*) or a legal entity (*Shakhshiyah i'tib ariah/syakhshiyah hufuniyah/rechtspersoon*).
- q. *The representative* is the party who receives the power of attorney, either in the form of a person (*Shakhshiyah thabi'iyah/natur like persoon*) or a legal entity (*Syaklu hiyah i'tibar ialt/syakhshiyah hul'niyalt/rechtspersoon*).
- r. *Mudharabah contract* is a business cooperation contract between the owner of the capital (*maltldshahib al-mat*) which provides all the capital with the manager (*'amtl/mudharib*) and the business profits are divided between them according to the ratio agreed in the contract.
- s. *Ijarah contract* is a rental contract between *mu'jir* and *mustajir* or between *musta'jir* and *ajir* to exchange benefits and *ujrah*, both benefits of goods and services.
- t. *Bai ' contract* is a property exchange contract that aims to transfer ownership of the property.
- u. *Riba* is an addition given in the exchange of usury goods (*al-amw al-ribawiyah*) and an addition given to the absolute principal of the debt; *Gharar* is uncertainty in a contract, both regarding the quality and/or quantity of the object of the contract as well as regarding its delivery; *Maysir* (Gambling); *Tadlis* is the act of hiding the defects of the object of the contract; *Rishwuah* (Bribery) is a gift given by a party to another party (official) with the intention of passing an act that is false (not true according to sharia) or canceling an act that is right (right

according to sharia); *Al-Ta'ddi* is to do an act that should not/should not be done; *Al-Taqshir* is not doing an act that should be justified; *Mukhalafot al-syuruth* is violating the content and/or substance or conditions agreed in the contract.

- v. The General Meeting of Shareholders is a company organ that has authority not given to the board of directors or the board of commissioners within the limits determined by the regulations and/or articles of association.

5. Sharia Bonds

Based on fatwa number 32/DSN-MUI/IX/2002 (DSN-MUI, 2002b) Regarding Sharia Bonds, the general provisions are: Bonds that are not justified according to sharia are bonds that are debt with an obligation to pay based on interest; Bonds that are justified according to sharia are bonds based on sharia principles; Sharia Bonds are long-term securities based on sharia principles issued by Issuers to Sharia Bond holders that require the Issuers to pay income to Sharia Bond holders in the form of profit sharing/ *margin/fees* and repay bond funds at maturity ; Contracts that can be used are Mudharabah (*Muqaradhah*) / *Qiradh*; *Musharakah*; *Murabaha*; *Regards*; *Istishna*; *Ijarah*

6. SBSN

Fatwa number 69/DSN-MUI/VI/2008 (DSN-MUI, 2008c) State Sharia Securities with the following general provisions:

- a. are Government Securities issued based on sharia principles, as proof of ownership of part of SBSN assets, both in rupiah and foreign currencies.
- b. SBSN assets are objects that have economic value, in the form of land and/or buildings, as well as other than land and/or buildings which for the purpose of issuing SBSN are used as the basis for issuing SBSN.
- c. Rewards are all payments made to SBSN holders which can be in the form of *ujrah* (rent), profit sharing, or other forms of payment in accordance with the contract used until the SBSN matures.
- d. SBSN Issuing Company is a legal entity established to carry out SBSN issuance activities.
- e. The contract used in the issuance of SBSN can be in the form of: *Ijarah*; *Mudharabah*; *Musharakah*; *Istishna*;

7. Sukuk

Based on fatwa number 137/DSN-MUI/IX/2020 (DSN-MUI, 2020b) regarding Sukuk with general provisions, as follows: are Sharia Securities (Sharia Securities) in the form of certificates or proof of ownership which have the same value and represent the part of ownership whose boundaries cannot be determined (*musya'*) on the underlying asset (Sukuk Assets/ *Usul al-Shuhuk*) after receipt of the sukuk funds, closing of the order and the commencement of the use of funds according to their designation ; Sukuk assets (*Ushul al-Shukuk*) are assets that form the basis for the issuance of Sukuk consisting of tangible assets (*al-a'yan*), the value of benefits on

tangible assets (*manafi' al-a'yan*), services (*al-kadamat*) certain project assets (maujudat masyru' mu'ayyan) and/or investment activity assets that have been determined (*nasyath istitsmar Khashsh*) Issuance of Sukuk must use contracts in accordance with sharia principles, namely *Mudharabah; Ijarah; Wakalah; Musyarakah; Murabaha; Salam Istishna'*; or other contracts in accordance with sharia principles.

Fatwa on sharia securities derivatives

1. Sharia EBA

a. KIK EBA Syariah

Based on fatwa number 125/DSN-MUI/XI/2018 (DSN-MUI, 2018d) regarding Collective Investment Contracts-Asset Backed Securities (KIK EBA) Based on Sharia Principles with the following general provisions:

- 1) Securitization of KIK EBA is the transformation of illiquid assets into liquid ones by selling assets by the Originator to the Investment Manager as the representative of KIK EBA through the issuance of Asset Backed Securities.
- 2) KIK EBAS securitization is the securitization of KIK EBA based on sharia principles.
- 3) Sharia Assets in the Form of Dain (ASBD) are assets in the form of debt arising from buying and selling (*bai'*), loans (*qardh*) and rent (*ujrah receivables*).
- 4) Non-Dain Sharia Assets (ASBBD) are assets in the form of goods (*al-a'yan/tangible assets*), benefits (*al-manafi'/usufructs*) and services (*al-kadamat/services*) including assets arising from financing or transactions whose position of ownership of assets is still with the Originator or the party who has made a purchase from the Originator.
- 5) Sharia Asset Backed Securities Collective Investment Contract (KIK-EBAS) is a contract between Investment Manager and Custodian Bank that binds Sharia Asset Backed Securities holders in which the Investment Manager is authorized to manage the collective investment portfolio and the Custodian Bank is authorized to carry out collective custody whose implementation does not conflict with sharia principles in the Capital Market; and according to the laws and regulations, KIK in KIK EBAS has the status of a legal subject (*al-syakhshiyah al-i'tibariyah*).
- 6) Investment Manager is the party that manages the securities portfolio for customers or manages the collective investment portfolio for a group of customers based on the prevailing laws and regulations.
- 7) Custodian is a party that provides custody of Securities and other assets related to Securities or other services, including receiving dividends, yields, and other rights, completing Securities transactions, and representing account holders who are their customers.
- 8) Custodian Bank is a commercial bank that conducts business activities as a Custodian as referred to in the Law concerning the Capital Market.

- 9) Originator is a Party that sells its Sharia Assets to the Investment Manager as a representative of KIK EBAS where the assets are obtained due to the provision of financing, sales, and/or providing other services related to their business.
- 10) Service Provider (*Servicer*) is a party responsible for processing and supervising payments made by service users (customers), taking early action in the form of warnings or other things because service users are late or fail to fulfill their obligations⁴ to negotiate, settle. claims against users and other services specified in the contract.
- 11) Investor is a party (person or business entity) that participates in/buys KIK-EBAS.
- 12) Securitization Administrator is the party responsible for the implementation and management of the securitization process in accordance with the applicable laws and regulations.
- 13) Underwriter (*Dhamin al-Ishdar/Underwriter*) is a Party that assists the Investment Manager in conducting a Public Offering with or without the obligation to purchase the remaining unsold Securities.
- 14) Payment Agent is a party that is obliged to assist in making payments to Investors in the securitization process.
- 15) Registrar is the entity responsible for maintaining records of EBAS holders.
- 16) Credit Support (*Credit Enhancement/Ta'ziz al-I'timan*) is a facility provided to improve the quality and value of Islamic Assets and/or securities in the Securitization process for payment to Investors.
- 17) Goods (*al-a'yan/tangible assets*) is a physical product (tangible, *tangible*) that has value and benefits that can be used.
- 18) Benefits (*al-manafi'/usufructs*) are uses/benefits attached to the Goods.
- 19) Services (*al-kadamat/services*) are activities provided by one party to another.
- 20) *Wakalah* is a contract granting power of attorney from *muwakkil* to a representative to carry out certain legal actions. *Wakalah bi al-ujrah* is a wakalah contract accompanied by a reward in the form of *ujrah* (*fee*).
- 21) *Kafalah* is a guarantee contract given by the insurer to a third party (*makful lahu*) to fulfill the obligations of the second or borne party (*makful 'anhu, ashil*); *Kafalah bi al-Ujrah* is a guarantee (*kafalah*) accompanied by a reward in the form of *ujrah* (*fee*).
- 22) *Al-Ijarah al-Maushifah fi al-Dzimmah* is a rental contract for the benefits of an item (benefits of *al-'ain*) and/ata services (*'amaf*) which at the time of the contract only mentions its properties and specifications (quantity and quality) and is the responsibility of the lessor.
- 23) *Al-Bai' al-Haqiqi* is a real buying and selling.

- b. Asset Backed Securities in the form of Sharia Participation Letter (EBA SP Sharia)

According to fatwa number 121/DSN-MUI/II/2018 EBA-SP (DSN-MUI, 2018b) concerning Based on Sharia Principles, there are several general provisions regarding this matter:

- 1) Securitization is the transformation of illiquid assets into liquid ones by selling assets by the Originator to Investors by issuing Asset Backed Securities; EBA are securities (securities) issued by the issuer consisting of a set of assets;
- 2) EBA Sharia is securities (securities) issued by the issuer consisting of a collection of Sharia assets and the mechanism does not conflict with sharia principles.
- 3) Sharia Assets in the Form of Dain (ASBD) are assets that arise from buying and selling (*bai'*), loans (*qardh*) and rent (*ujrah receivables*).
- 4) Non-Dain Sharia Assets (ASBBD) are assets that arise from financing or transactions based on *mudharabah*, *musyarakah* and/or other contracts in which the position of asset ownership is still with the originator.
- 5) Participation Letter is proof of proportional ownership of a collection of Assets that are jointly owned by a number of Investors issued by the Issuer;
- 6) Sharia Asset-Backed Securities in the Form of Participation Letters (EBAS-SP) are EBAS issued by Issuers whose contracts and portfolios are in the form of home ownership financing that does not conflict with sharia principles or Non-Dain Sharia Assets (ASBBD) and is proof of proportional ownership that is jointly owned by a group of EBAS-SP holders; Issuer is the Party issuing EBAS-SP ; Originator (Original Financing Provider) is a Party that sells its Sharia Assets to EBAS-SP holders collectively where the assets are obtained by the parties concerned due to the provision of financing, sales, and/or providing other services related to their business;
- 7) Servicer is a *party* responsible for processing and supervising payments made by debtors, taking early action in the form of warnings or other things because the debtor is late or fails to fulfill his obligations, conducting negotiations, settling claims against debtors and other services specified in the contract;
- 8) Investor is the party (person or business entity) who buys/holder of EBAS-SP;
- 9) Financing Support is a party that provides facilities to improve the quality and value of Sharia Assets and/or securities in the Securitization process as well as for the provision of financing facilities;
- 10) Custodian Bank is a commercial bank that has obtained approval from the competent authority as Custodian;
- 11) Trustee is a Party that represents the interests of Asset Backed Securities holders, who are registered with the competent authority.
- 12) *Wakalah* is a contract of granting power of attorney from muwakkil to a representative to carry out certain legal actions; *Wakalah bi al-Ujrah* is a wakalah contract accompanied by a reward in the form of *ujrah* (*fee*).
- 13) Kafalah is a guarantee contract given by the guarantor (*kafil*) to a third party (*makful lahu*) to fulfill the obligations of the second or borne party (*makful*)

'anhu, ashil); *Kafalah bi al-Ujrah* is a guarantee (*kafalah*) accompanied by a reward in the form of *ujrah* (*fee*).

2. Sharia Stock

a. Sharia Warrant

Based on fatwa number 66/DSN-MUI/III/2008 (DSN-MUI, 2008b) regarding Sharia Warrants with the following general provisions: Issuer is a Party conducting Public Offering ; Sharia Securities are securities as referred to in the laws and regulations in the Capital Market sector whose contracts, company management, and issuance methods comply with Sharia Principles ; Sharia principles are principles based on Islamic teachings whose stipulation is carried out by the DSN-MUI, both stipulated in this fatwa and in other related fatwas ; Warrants based on sharia principles are securities issued by a company that give rights to securities holders included in the Sharia Securities List (DES) to subscribe to shares from issuers at a certain price for a period of 6 (six) months or more after the issuance ; The exercise price for Sharia Warrants is the price determined by the Issuer for warrant holders to purchase newly issued securities during the stipulated period.

b. Sharia Pre-emptive Rights (HMETD)

The rules for Sharia Preemptive Rights can be seen in fatwa number 65/DSN-MUI/III/2008 (DSN-MUI, 2008a) concerning Sharia Pre-emptive Rights (HMETD) with the following general provisions: Issuer is a Party conducting Public Offering ; Sharia Securities are securities as referred to in the laws and regulations in the Capital Market sector whose contracts, company management, as well as the method of issuance comply with Sharia Principles, namely principles based on Islamic teachings whose stipulation is carried out by the DSN-MUI, whether stipulated in a fatwa. this as well as in other related fatwas ; Sharia Pre-emptive Rights (HMETD) are rights attached to shares included in the Sharia Securities Register (DES) that allow existing shareholders to purchase new Securities; including shares, securities that can be converted into shares and warrants, before being offered to other Parties. Such rights must be transferable ; The exercise price for Sharia Preemptive Rights is the price determined by the Issuer for Sharia Preemptive Rights holders to purchase newly issued securities during the stipulated period.

3. Sharia Bonds

a. Sharia Ijarah Bonds

Based on fatwa number 41/DSN-MUI/III/2004 (DSN-MUI, 2004) *Syari'ah Ijarah Bonds* have general provisions, as follows: Sharia Bonds are long-term securities based on sharia principles issued by Issuers to sharia bondholders that require the issuer to pay income to sharia bondholders in the form of profit sharing/ *margin/fees* and repay bond funds at maturity ; Sharia Ijarah Bonds are Sharia Bonds based on an Ijarah contract with due observance of the substance of the MUI National Sharia Council Fatwa No. 09/DSN-MUI/IV/2000 concerning Ijarah Financing.

b. *Mudharabah* Sharia Bonds

Based on fatwa number 33/DSN-MUI/IX/2002 (DSN-MUI, 2002c) concerning *Syari'ah Mudharabah* Bonds , with the following provisions: Sharia Bonds are long-term securities based on sharia principles issued by Issuers to Sharia Bond holders that require the Issuer to pay income to Sharia Bond holders in the form of profit sharing/ *margin/fees* and repay bond funds at maturity ; *Mudharabah* Sharia Bonds are Sharia Bonds based on a *Mudharabah* contract by taking into account the substance of the MUI National Sharia Council Fatwa No. 7/DSN-MUI/IV/2000 concerning *Mudharabah Financing* ; The issuer of the *Mudharabah* Sharia Bond is *Mudharib* while the holder of the *Mudharabah* Sharia Bond is *Shahibul Mal*.

4. SBSN

a. SBSN *Ijarah* Assets to be Leased

SBSN can be seen in fatwa number 76/DSN-MUI/VI/2010 (DSN-MUI, 2010) regarding SBSN *Ijarah* Assets to be Leased with the following provisions:

- 1) *Ijarah* Assets To Be Leased (*Ijarah al Maujudat al-Mau'ud Bisti'jariha*) is an *ijarah* agreement whose specifications have been determined for the object of *ijarah*, and some of the *ijarah* objects already exist at the time the contract is made, but the delivery of the entire *ijarah* object is carried out in the future. according to agreement.
- 2) State Sharia Securities (SBSN) Asset To Be Leased *Ijarah* are state securities issued based on sharia principles, as proof of ownership of the part of SBSN Assets that are the object of *ijarah*, both existing and future ones.

b. SBSN *Ijarah* Sale and Leased Back

This provision can be seen in fatwa number 72/DSN-MUI/VI/2008 (DSN-MUI, 2021) regarding SBSN *Ijarah* Sale and Leased Back , there are several general provisions regarding this:

- 1) State Sharia Securities (SBSN) or can be called State Sukuk are state securities issued based on sharia principles, as proof of ownership of part of SBSN assets.
- 2) *Sale and Lease Back* is the sale and purchase of an asset which the buyer then leases the asset to the seller.
- 3) SBSN *Ijarah* Sale and Lease Back is SBSN issued using an *Ijarah* contract with a *Sale and Lease Back* mechanism

c. SBSN Wakalah

Based on fatwa number 95/DSN-MUI/VII/2014 concerning Wakalah State Sharia Securities, the following are some provisions regarding this fatwa (DSN-MUI, 2014b) : Wakalah State Sharia Securities (Wakalah SBSN) are *wakalah* SBSN *bit istitsmar* ; namely SBSN issued based on sharia principles, as proof of ownership of part of the assets in investment activities managed by the SBSN Issuing Company as the Representative of the SBSN trader; SBSN Wakalah assets are assets in the form of goods, services, projects, or other assets that are in accordance with sharia principles as the underlying basis for the issuance of Wakalah SBSN.

5. Sukuk

a. Waqf Sukuk

explained in fatwa number 131/DSN-MUI/X/2019 (DSN-MUI, 2019b) regarding waqf sukuk with the following general provisions:

- 1) Sukuk are Sharia Securities (Sharia Securities) in the form of certificates or proof of ownership that have the same value and represent an indeterminate share of ownership (*musya'*) on the underlying asset (*Sukuk Assets/Usul al-Shukuk*) after receipt of the sukuk funds, closing order and commencement of the use of funds according to their designation.
- 2) Sukuk Assets (*Ushul al-Shukuk*) are assets that form the basis for the issuance of Sukuk consisting of tangible assets (*al-a'yan*), benefits of tangible assets (*manafi' al-a'yan*), services (*al-kadamat*), assets certain projects (*majudat nasyru' mu'ayyan*) and/or investment activity assets that have been determined (*nasyath istitsmar Khashsh*).
- 3) Waqf is a legal act of *urtfrik wakif* separating and/or giving up part of his property to be used forever or for a certain period of time in accordance with its designation for the purposes of worship and/or general welfare according to sharia.
- 4) Waqf Sukuk are Sukuk issued in order to optimize the Benefits of Waqf Assets and their yields for the public interest (*mashalih 'ammah*) which do not conflict with sharia principles.
- 5) Waqf assets are property that is the object of Waqf (*mawquf*).
- 6) The benefits of Waqf Assets are the benefits of using Waqf Assets.
- 7) Nazhir is the party who receives the Waqf Assets *dui wakif* (the party who is waqf) and is tasked with managing and developing the Waqf Assets according to their designation.
- 8) Hikr contract is a *long* -term lease agreement on land/Waqf assets to construct buildings or business activities on it.

b. Sukuk *Wakalah bi al istismar*

It is explained in fatwa number 127/DSN-MUI/VII/2019 Sukuk *Wakalah bi al-Istitsmar* with the following general provisions:

- 1) *Wakalah bi al-Is titsmar* is a common sense contract to invest and develop Muwakkil's assets either with a reward (*Wakalah bi al-Ujrah*) or without reward (*Wakalah bi ghatri al-Ujrah*) ; Sukuk *Wakalah bi al-Istitsmar* is a Sukuk issued using a *Wakalah bi al-Istitsmar contract*.
- 2) *Wakalah bi al-Ujrah* is a wakalah contract accompanied by a reward in the form of *ujrah (fee)* ; *Muwakkil* is the party who gives power of attorney (Sukuk Holders), either in the form of a person (*Shakhshiyah thabi'iyah/natur like person*) as well as those who are equated with people, both legal entities and not legal entities (*Shakhshiyah thabi'iyah | natur like persons*).

Fatwa regarding the mechanism for issuing securities on the Islamic Capital Market

1. SBSN Issuance Method

Based on fatwa number 70/DSN-MUI/VI/2008 concerning Methods for Issuing State Sharia Securities, the following provisions can be seen:

- a. Auctions and bookbuilding in the issuance of SBSN may be carried out under the following conditions: information regarding the terms of auction and *bookbuilding* including the specifications for SBSN to be published is publicly announced to the public; there is no collusion between the parties involved; there is no element of fraud; the auction winner or investor whose purchase order is won in terms of bookbuilding, may not cancel the auction offer or purchase order unilaterally; The government may impose certain sanctions including fines (*gharamah*) to provide a deterrent effect (*ta'zir*) to the auction winner or investors who cancel the auction offer or purchase order unilaterally.
- b. Pricing in the issuance of SBSN by way of auction or *bookbuilding* may use one of the following 2 methods: the price is set uniformly (*uniform price*) for all bids won, which can be in the form of a price greater than the nominal value (*at premium*), smaller of the nominal value (*at discount*) or equal to the nominal value (*at par*) of SBSN; prices are set at multiple (multiple prices) according to the bid price of each investor won, which can be in the form of a price greater than the nominal value (*at premium*), less than the nominal value (*at discount*) or equal to the nominal value (*at par*). SBSN;
- c. The provisions regarding the price of SBSN as referred to in number 2 do not apply to SBSN issued with *Mudharabah* and *Musyarakah contracts* which may only be set at the nominal value of SBSN (*at par*).
- d. At the time of settlement of SBSN, in addition to the price as referred to in number 2, investors can pay Current Fee.

2. Share

a. Stock Transactions on the Regular Market

Based on fatwa number 80/DSN-MUI/III/2011 concerning the Application of Sharia Principles in the Mechanism of Trading Equity Securities in the Stock Exchange Regular Market (DSN-MUI, 2019a) , there are several provisions:

- 1) Trading of Equity Securities --hereinafter abbreviated as Securities Trading-- on the Stock Exchange Regular Market is a securities sale and purchase contract made by a Securities Exchange Member in accordance with the requirements determined by the Stock Exchange. This trade includes online trading that is carried out in one assembly with mechanisms and regulations that guarantee the fulfillment of the rights and obligations of the parties;
- 2) Equity Securities are shares or securities that can be exchanged for shares or securities containing the right to acquire shares as referred to in Bapepam and LK Regulation Number IX.J.1 concerning the Principles of the Articles of

Association of Companies Conducting Public Offerings of Equity Securities and Public Companies ;

- 3) Equity Securities in accordance with Sharia Principles are Equity Securities included in the Sharia Securities List (DES) issued by Bapepam and LK, which involved DSN-MUI in its preparation;
- b. Regular Market is a market where Securities Trading on the Stock Exchange is carried out based on a continuous bargaining process (*bai' al-Musawamah*) by the Securities Exchange Member and the administrative settlement is carried out on the third trading day after the Securities Trading on the Stock Exchange occurs;
 - 1) Stock Exchange is a party that organizes and provides a system and/or means to bring together offers of buying and selling securities of other parties with the aim of trading securities between them.
 - 2) Stock Exchange Member is a Securities Company that has obtained a business license from the Capital Market and Financial Institution Supervisory Agency (Bapepam and LK) as a Securities Broker as referred to in the Capital Market Law and has obtained an exchange membership approval to use the stock exchange system and/or facilities. in the context of conducting Securities Trading activities on the Stock Exchange in accordance with the regulations of the Stock Exchange;
 - 3) Fair Market Price is the market price of Equity Securities in accordance with Sharia Principles in accordance with an orderly, fair and efficient market mechanism and is not engineered;
 - 4) Clearing Guarantee Institution (LKP) is a Party that provides clearing and settlement guarantee services.
 - 5) Exchange Transactions; Depository and Settlement Institution (LPP) is a Party that organizes central Custodian activities for Custodian Banks, Securities Companies, and other Parties; Clearing Member is a Stock Exchange Member who fulfills the terms and conditions of LKP to obtain clearing services and guarantee for the settlement of Exchange Transactions; Securities Company is a Party that conducts business activities as Underwriter, Broker-Dealer, and or Investment Manager;
 - 6) *Ijarah* is a contract for the transfer of usufructuary rights/benefits on an item or providing services/work within a certain time with payment of rent/*ujrah*;
 - 7) *Hawalah bil Ujrah* is a debt transfer contract from the debtor to another party who is willing or committed (*iltizam*) to bear (pay) it, with *ujrah*;
 - 8) *Ju'alah* is a promise or commitment (*iltizam*) to provide a certain reward (*ju'l*) for the achievement of the results (*natijah*) determined from a job;
 - 9) Riba is an addition given in the exchange of usury goods (*al-amwal al-ribawiyah*) and an addition given to the principal debt in exchange for an absolute deferral of payment;

- 10) *Bai'* is a property exchange contract that aims to transfer ownership of the property; *Bai' al-Musawamah* is a sale and purchase contract with an agreement a fair market price through a continuous bargaining mechanism;
- 11) *Gharar* is uncertainty in a contract, both regarding the quality or quantity of the object of the contract as well as regarding its delivery; *Taghrir* is an effort to influence other people, either by words or actions that contain lies, so that they are motivated to make transactions;
- 12) *Bai' al-Ma'dum* is a sale and purchase in which the object (*mabi'*) is not present at the time of the contract, or the sale and purchase of goods (securities) even though the seller does not own the goods (securities) that he sells; *Bai' al-Maksyuf* is a form of buying and selling that contains *gharar*, namely buying and selling in cash of goods (securities) that do not belong to the seller and the seller is not given permission by the owner to sell, or buying and selling in cash on goods (securities) even though the seller does not own goods (securities) that it sells;
- 13) *Jahalah* is ambiguity in a contract, both regarding the object of the contract, its quality or quantity (*shifat*), its price (*tsaman*), as well as regarding the time of delivery;
- 14) *Ihtikar* is buying something that people really need when the price is high and hoarding it with the aim of reselling it when the price is more expensive;
- 15) *Ghabn* is an imbalance between two goods (objects) that are exchanged in a contract, both in terms of quality and quantity;
- 16) *Ghabn Fahisy* is a heavy level *ghabn*, such as buying and selling goods at prices far below the market price;
- 17) *Talaqqi al-rukban* is part of the *ghabn*; namely buying and selling of goods at prices far below the market price because the seller does not know the price.
- 18) *Tadlis* is the act of hiding the defect of the object by the seller to deceive the buyer as if the object of the contract is not defective; *Ghisysy* is a form of *tadlis in* which the seller explains/explains the advantages/privileges of the goods being sold and hides the defects.
- 19) *Tanajusy/Najsy* is the act of bidding for goods at a higher price by parties who do not intend to buy them, to give the impression that many parties are interested in buying them;
- 20) *Dharar* is an action that can cause harm or loss to another party.

3. Sharia Principles in the KPEI system

Based on fatwa number 138/DSN-MUI/V/2020 (DSN-MUI, 2020c) concerning the Implementation of Sharia Principles in the Clearing Mechanism and Guarantee of Settlement of Exchange Transactions on Equity Securities on the Stock Exchange with the following provisions:

- a. Clearing is the process of determining the rights and obligations of each Clearing Member arising from Exchange Transactions and/or non-exchange

transactions; Netting is a Clearing activity that creates rights and obligations to deliver or receive a certain number of Securities for each type of Securities transacted and to receive or pay a certain amount of funds for all Securities transacted.

- b. Exchange Transaction is a contract made by a Securities Exchange Member in accordance with the requirements determined by the Stock Exchange regarding the sale and purchase of Securities, borrowing and borrowing Securities, or other contracts regarding Securities or Securities prices.
- c. Settlement is the fulfillment of the Clearing Member's obligations to the Clearing Guarantee Institution and the fulfillment of Clearing Member's rights by the Clearing Guarantee Institution on Exchange Transactions conducted by Clearing by Netting and electronic or physical book-entry.
- d. Exchange Transaction Settlement Guarantee is the obligation of the Clearing Guarantee Institution to immediately and immediately take over the responsibilities of Clearing Members who fail to fulfill their obligations with regard to Exchange Transaction Settlement and to settle such transactions at the same time and manner as required to the relevant Clearing Member.
- e. Securities Lending and Borrowing is a Securities lending-borrowing activity between a Lender and a Clearing Guarantee Institution as a loan recipient or between a Clearing Guarantee Institution as a lender and a party requiring Securities as a Borrower by submitting collateral in order to support Exchange Transaction activities.
- f. Guarantee Reserve is an accumulation of funds originating from the net profit allowance of the Clearing Guarantee Institution in the form of cash or cash equivalents used to conduct Exchange Transaction Settlement Guarantee by the Clearing Guarantee Institution.
- g. Stock Exchange is a party that organizes and provides a system and/or means to bring together offers of buying and selling securities of other parties with the aim of trading Securities between them.
- h. Clearing Guarantee Institution is the party providing the Clearing Guarantee and Exchange Transaction Settlement Guarantee services.
- i. A Stock Exchange Member is a Securities Broker-Dealer who has obtained a business license from the Financial Services Authority and has the right to use the system and/or facilities of the Stock Exchange in accordance with the regulations of the Stock Exchange. Clearing Member, is a Member of the Stock Exchange or other party, who meets the requirements to obtain Clearing and Guarantee services for Exchange Transaction Settlement under the rules of the Clearing Guarantee Institution.
- j. Securities are securities, namely debt acknowledgments, commercial securities, shares, bonds, proof of debt, Participation Units, collective investment contracts, futures contracts on Securities, and any derivatives of Securities ;

Sharia Securities are Securities that do not conflict with sharia principles in the Capital Market in terms of: Contracts, management methods, business activities; Assets that form the basis of the contract, management method, business activities; and/atau; Assets related to the said Securities and the issuer.

- k. Equity Securities are shares or Securities that can be exchanged for shares or Securities containing the right to acquire shares from the Company as the issuer ; Equity Securities in accordance with Sharia Principles are Equity Securities that are included in the Sharia Securities List (DES) issued by the authorities and/or other parties granted permission by the authorities based on the prevailing laws and regulations.
 - l. *Hawalah* is the transfer of obligations (*hawalot al-dain*) and rights (*hwalat al-haqq*) from one party (Clearing Member) to another party (Clearing and Guarantee Institution); *Hawalah bi al-Ujrah* is *Hawalah* which is accompanied by a reward in the form of *ujrah* (*fee*).
 - m. *Wakalah* is the granting of power of attorney from *Muwakkil* to the Deputy to give birth to certain legal actions; *Wakalah bi al-Istitsmar* is *Wakalah* to invest and develop *Muwakkil's capital* either with a reward (*Wakalah bi al-Ujrah*) or without compensation (*Wakalah bi ghairi al-Ujrah*).
 - n. *Ju'alah* is the provision of certain rewards (*reward/'iwadh/ju'l*) for the achievement of results (*natijah*) determined from a job.
 - o. *Mudharabah* is a business collaboration between the owner of the capital (*malik/shahib al-mal*) who provides all the capital with the manager (*'amil/mudharib*) and the business profits are divided between them according to the agreed ratio.
 - p. *Bai'* is an exchange of property with the aim of transferring ownership of the property; *Bai' al-Musawamah* is a sale and purchase with a fair price agreement through a continuous bargaining mechanism; *Bai' al-Ma'dum* is a sale and purchase in which the object (*mabi*) is not present at the time of the contract, or the sale and purchase of goods even though the seller does not own the goods being sold; *Bai' al-Maksyuf* is buying and selling in cash on goods that do not belong to the seller and the seller is not given permission by the owner to sell, or buying and selling in cash on goods even though the seller does not own the goods he sells.
 - q. *Short selling* (empty sales) is a method used in selling shares that are not owned at a high price in the hope that they will buy them back when the price drops.
 - r. *Riba* is an addition given in the exchange of usury assets (*al-amwal al-ribawiyah*) and an addition given to the absolute principal of the debt.
4. Sharia Principles in the KSEI system

is explained in fatwa number 124/DSN-MUI/XI/2018 (DSN-MUI, 2018c) regarding the Implementation of Sharia Principles in the Implementation of Securities Depository and Settlement Services and Integrated Investment Infrastructure Management with the following provisions:

- a. Securities are securities, namely debt acknowledgments, commercial securities, shares, bonds, proof of debt, Participation Units, Collective Investment Contracts, futures contracts on Securities, and any derivatives of Securities.
- b. Sharia Securities are Securities that do not conflict with sharia principles in the Capital Market, both in terms of: Contracts, management methods, business activities; Assets that form the basis of the contract, management method, business activities; and/or Assets related to the said Securities and the issuer.
- c. Investment Products are Mutual Funds, Real Estate Investment Funds, Individual Client Securities Portfolio Management, and other investment products determined by the Authority based on the prevailing laws and regulations ; Sharia Investment Products are Investment Products that do not conflict with sharia principles in the Capital Market both in terms of: Contracts, management methods, business activities; Assets that form the basis of the contract, how to manage business activities; and/or Assets related to the said Investment Product and its issuer.
- d. Depository and Settlement Institution (LPP) is a Party that organizes central Custodian activities for Custodian Banks, Securities Companies, and other Parties.
- e. Stock Exchange is a party that organizes and provides a system and/or means to bring together securities buying and selling offers of other parties with the aim of trading Securities between them.
- f. Custodian is a Party that provides custody of Securities and other assets related to Securities and other services, including receiving dividends, interest, and other rights, completing Securities transactions, and representing account holders who are their customers ; Custodian Bank is a commercial bank that has obtained approval from the Financial Services Authority to carry out business activities as Custodian as referred to in the Law on Capital Market.
- g. Securities Company is a Party that conducts business activities as Underwriter, Broker-Dealer, and or Investment Manager.
- h. Investment Manager is the Party that manages the Securities Portfolio for customers and manages the collective investment portfolio for a group of customers in accordance with the prevailing laws and regulations.
- i. Securities Administration Bureau is a Party based on a contract with an Issuer to carry out the registration of Securities ownership and distribution of rights related to Securities.
- j. Mutual Funds Selling Agent is a Party that sells Mutual Funds based on a cooperation contract with the Investment Manager who manages the Mutual Fund.
- k. Securities Issuer is a legal entity, Collective Investment Contract or other Party whose Securities are registered with LPP in accordance with the prevailing laws and regulations in the Capital Market sector.

- l. Sharia Banking is everything related to Sharia Banks and Sharia Business Units, including institutions, business activities, a series of methods and processes in carrying out their business activities.
- m. *Central Depository-Book Entry Settlement System* , hereinafter referred to as *C-BEST* , is a system owned by LPP in order to provide central Custodian services and settlement of Securities Transactions by book-entry which is carried out automatically.
- n. Integrated Investment Management System, hereinafter referred to as S-INVEST, is an integrated electronic system or facility owned by LPP that integrates all processes of Investment Product Transactions, Basic Asset Transactions, and reporting in the investment management industry in accordance with the prevailing laws and regulations.
- o. Securities Account is an account containing notes regarding the position of Securities and/or funds recorded in the LPP ; Customer Fund Account, hereinafter referred to as RDN, is a fund account in the name of the Customer, which is opened by a Broker-Dealer or other party in accordance with the applicable laws and regulations. DE administers the Client's Securities account based on the power of attorney from the Customer at the bank that has entered into a cooperation agreement with LPP to carry out RDN administration.

5. Convertible *Mudharabah* Bonds

Based on fatwa number 59/DSN-MUI/V/2007 (DSN-MUI, 2007) Convertible Mudharabah Sharia Bonds with the following general provisions; Convertible *Mudharabah* Bonds are Islamic *bonds* issued by Issuers based on Mudharabah principles in order to increase their working capital needs, with the option of investors converting bonds into Issuer shares at *maturity* ; Sharia shares are certificates that show proof of ownership of a portion in a company issued by an Issuer whose business activities and management methods do not conflict with sharia principles.

CONCLUSION

Sharia capital market regulation is a product of the collaboration of related parties, namely the MUI DSN, the Government, the Financial Services Authority (OJK), KPEI, KSEI and the Sharia Capital Market itself which has the aim of clarifying various rules in the sharia capital market mechanism in the form of securities fatwas, derivative securities and trading mechanisms in the Islamic capital market.

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