

collaboration with the customer or take away his advance payment out of the sale proceeds and return the balance to the owner. In case of the bank getting back its money, the amount of money cannot be more than the price paid in advance, the advance price is a liability outstanding on the seller. The purchase of the stipulated commodity by the bank from the sale proceeds of the pledge should not result in any exploitation of the customer. As a result, the seller may be involved in the process.

In the case of a personal surety, He is obliged to deliver the goods if the seller fails to do so. Only the seller is authorized to revoke the contract and not the surety, in that case, only the price paid will be taken by the bank. The seller can with the permission of the purchaser, pass on the liability to the transferee on the basis of Hawalah.

Disposing of the goods purchased on Salam

There is a difference of opinion among Muslim jurists regarding the legality of selling the purchase goods prior to taking delivery. The majority of the scholars maintain that the Salam purchaser is not allowed to enjoy ownership rights until he has received them. Therefore, the seller cannot resell an item, cannot contract its transference and cannot make it partnership capital. The jurists that forbid the selling of the goods before its delivery rely only on a tradition. Therefore, it cannot be the basis of any ruling. Basing on this conclusion, we can derive the permission for parallel Salam.

Ibn Taymiyyah and Ibn Al-qayyim maintain the permission of a parallel Salam. If the Salam is sold to a third party, the latter can negotiate the price but if it is sold to the first seller it should be the same price. Many Muslim authorities approve these views such as Companion Ibn Abbas Imam Ahmed and the Maliki view. The Maliki view disapproves it in the case of a transaction of foodstuff.

In the current framework of Islamic finance, the use of parallel Salam and certificates based on Salam seems logical since the transfer of ownership to the purchaser implies the transfer of the risk to him.

Alternatives for Marketing Salam goods

Islamic banks have three options for disposing the goods purchased through salam. The first one is to enter into a parallel Salam: In Salam contract, both the buyer and the seller can enter into a parallel Salam contract. In the case of parallel contract, the purchaser has to make two different contracts one where he acts as a buyer and the other one as a

this stage, the bank can appoint the mill its agent for sale of the wheat when received, or get or get a promise to buy from any third party. Bank B indicates a target price of 9 Rs (0.135 US dollar) per 1kg bag for the sale of sugar in the market by Wheat Mill A as its agent. A sells wheat of defined quality at 8 Rs per kg to be delivered on 31st December, 2015 and receives the proceeds in advance. A delivers the wheat on 31st December, 2015; upon taking physical or constructive possession, it comes under the liability/risk of Bank B. If Wheat Mill A sells wheat in the market as an agent of Bank B at 10 Rs per kg, for example, one rupee per kg could be his service fee, if the bank agrees. If wheat's prices fall and wheat is sold at 7 Rs (for example), despite effort by A, B will have to suffer the loss.

Case II: Parallel Istina-Building Project Finance

Builder A enters into an Istina's agreement with Bank B for the construction of 100 economy flats within a period of 12 months, say up to 31/12/2015. The total is agreed at 120M Rs. A starts booking the flats and all the flats are booked with any amount of down payment. Bank B enters into a Parallel Istina'a with Contractor C for the construction of flats of the same specification against the total cost of 100M Rs up to the end of 2015 and makes payment in four instalments, as per the agreement. Bank B appoints Builder A its agent to supervise the construction of flats, as per the agreed specification. Contractor C gives possession of the flats at the end of December, 2015 to Bank B, which hands them over to Builder A. Builder A sells the flats to the allottees on an instalment basis and assigns the receivables to Bank B. The allottees will make periodical payments for rental and purchase of units from the bank; ultimately, the ownership will transfer allottees.