

Sukuk Risk: *Analysis and Management*

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Abstract — A distinctive feature of Islamic finance is the element of risk, which is largely considered as being the dividing line between Halal profit and Haram pre-determined return (Riba). Uncertainty, which is often used to denote risk, is present in all Islamic financial transactions. However, risk in Islamic finance has its unique attributes and distinctive characteristics.

This paper aims to discuss the concept and meaning; sources and causes; and mechanism of dealing with and controlling Sukuk risks, with focus on the Islamic perspective and Al Shariah rules in dealing with such risks. This involves highlighting whether or not Sukuk are less risky than the conventional bonds, and to what extent the conventional strategies of measuring and managing risk could be used to measure and manage Sukuk risks.

Index Terms — Islamic Finance, Conventional Risk, Islamic Risk, Sukuk Risk, Diversification, Hedging, Systematic and Nonsystematic Risk, Standard Deviation and Beta Coefficient