

## Islamic Financial Engineering: An Overview

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**Abstract :** The past two decades or so have witnessed phenomenal growth of the Islamic financial services industry. The whole industry has been thriving at about 15 percent per annum. This development entails the Islamic financial engineering, IFE, to some kind of crossroads, lagging behind its conventional counterpart. Therefore, IFE, and particularly traded products development, and in order to achieve its goals, two approaches are available, i.e., replicating engineering and innovative engineering. We also try to emphasize the innovative strategy since it guards the Islamic identity of different financial products and processes, and thereby, improves the creativity in the Islamic financial industry. The attempt also centers on sukukization (Islamic securitization), innovation, liquidity management, and risk management and hedging in the Islamic financial system. Finally, the challenges facing IFE are also addressed.

**Keywords :** islamic financial engineering, hedging and risk management, innovation, securitization, money market instruments, islamic capital markets

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