

Islamic Financial Instrument, Standard Parallel Salam as an Alternative to Conventional Derivatives

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Abstract : Derivatives are the most important innovation which has happened in the past decades. When it comes to financial markets, it has changed the whole way of operations of stock, commodities and currency market. Beside a lot of advantages, Conventional derivatives contracts have some disadvantages too. Some problems have been caused by derivatives contain raising Volatility, increasing Bankruptcies and causing financial crises. Standard Parallel Salam contract as an Islamic financial product meanwhile is a financing instrument can be used for risk management by investors. Standard Parallel Salam is a Shari'ah-Compliant contract. Furthermore, it is an alternative to conventional derivatives. Despite the fact that the unstructured types of that, has been used in several Islamic countries, This contract as a structured and standard financial instrument introduced in Iran Mercantile Exchange in 2014. In this paper after introducing parallel Salam, we intend to examine a collection of international experience and local measure regarding launching standard parallel Salam contract and proceed to describe standard scenarios for trading this instrument and practical experience in Iran Mercantile Exchange about this instrument. Afterwards, we make a comparison between SPS and Futures contracts as a conventional derivative. Standard parallel salam contract as an Islamic financial product, can be used for risk management by investors. SPS is a Shariah-Compliant contract. Furthermore it is an alternative to conventional derivatives. This contract as a structured and standard financial instrument introduced in Iran Mercantile Exchange in 2014. despite the fact that the unstructured types of that, has been used in several Islamic countries. In this article after introducing parallel salam, we intend to examine a collection of international experience and local measure regarding launching standard parallel salam contract and proceed to describe standard scenarios for trading this instrument containing two main approaches in SPS using, And practical experience in IME about this instrument Afterwards, a comparison between SPS and Futures contracts as a conventional derivatives.

Keywords : futures contracts, hedging, shari'ah compliant instruments, standard parallel salam

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