

# Innovative Sukuk Structures Based on Beneficial Ownership and Usufruct: Sharī'ah Perspectives, Case Studies, and Strategic Potential for Developing Economies

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## Abstract:

Sukuk, as Sharī'ah-compliant financial instruments, have emerged as crucial mechanisms for mobilizing resources, promoting infrastructure development, and offering ethical alternatives to conventional debt-based bonds. Distinct from interest-bearing securities, sukuk represent ownership in tangible assets, usufructs, or services. Yet, in many jurisdictions, practical and regulatory constraints prevent the full legal transfer of assets to investors, giving rise to questions about the legitimacy and application of *beneficial ownership* (*tamalluk hukmī*) and *ḥaqq al-intifā'* (usufruct) as foundational principles for sukuk issuance. This study investigates whether beneficial ownership and usufruct satisfy the Sharī'ah requirements for asset-backing in sukuk, assessing their legal and fiqhī (jurisprudential) validity within the evolving Islamic financial framework. Employing a qualitative, case-based methodology, the paper analyzes three innovative sukuk models from Pakistan – Jinnah Airport Ijārah Sukuk, Meezan Bank Airtime Sukuk, and K-Electric Mushārah Sukuk – each representing a distinct application of ownership and usufruct principles. Through comparative analysis and fiqh-based reasoning, the research demonstrates that these models align with Sharī'ah objectives (*maqāṣid al-Sharī'ah*) by ensuring risk-sharing, lawful asset linkage, and economic productivity while addressing regulatory and infrastructural challenges faced by developing economies. The findings underline that beneficial ownership and usufruct-based sukuk offer strategic pathways for resource mobilization in public and corporate sectors, particularly where tangible asset transfer is impractical. The paper concludes with policy recommendations for expanding the use of these structures to promote inclusive, sustainable, and Sharī'ah-compliant economic development.

**Keywords:** *Hadith Retrieval, Semantic Search, Natural Language Processing, Ontology-Based Categorization, Arabic NLP, Semantic Web, Islamic Scholarship*

## 1. Introduction

The evolution of Islamic finance has profoundly transformed the global

discourse on ethical investment and equitable financial systems. Among the instruments that have gained prominence, *sukuk* stand out as the backbone of Shari'ah-compliant capital markets, bridging the gap between spiritual values and economic realities. Unlike conventional bonds, which are debt instruments promising fixed interest returns, *sukuk* represent undivided ownership in assets, services, or usufructs, thereby ensuring the investor's legitimate participation in risk and reward.

However, as Islamic finance expands into diverse jurisdictions, practical constraints—such as taxation laws, asset registration procedures, and regulatory frameworks—often make the transfer of full legal ownership difficult or even impossible. To accommodate such realities while preserving Shari'ah compliance, Islamic scholars and financial engineers have introduced the concepts of *beneficial ownership* (*tamalluk hukmi*) and *haqq al-intifa'* (usufruct) as the operational foundations of *sukuk*. These concepts allow investors to hold constructive ownership rights or usufructs over assets, ensuring lawful entitlements to returns without breaching Shari'ah principles.

In the context of developing economies such as Pakistan, these innovative *sukuk* structures have immense strategic value. They not only provide access to Shari'ah-compliant capital for infrastructure and energy projects but also foster financial inclusion by linking investment to real economic activity. Nonetheless, questions persist regarding the juristic soundness of these models, especially in relation to ownership authenticity, risk-sharing, and the potential overlap with conventional financial practices.

This study seeks to examine these critical issues through theoretical exploration and empirical case analysis. It focuses on three significant *sukuk* models that have shaped the trajectory of Islamic finance in Pakistan:

1. The *Jinnah Airport Ijarah Sukuk*—based on asset leasing and beneficial ownership;
2. The *Meezan Bank Airtime Sukuk*—structured around intangible usufructs; and
3. The *K-Electric Musharakah Sukuk*—a partnership-based model integrating modern retail participation.

By analyzing these cases in light of classical jurisprudence and contemporary financial standards, this paper aims to demonstrate how Shari'ah principles can guide financial innovation in real-world contexts.

## **2. Methodology and Research Design**

This study employs a **qualitative and descriptive analytical methodology** grounded in *fiqh al-mu'amalāt* (Islamic commercial jurisprudence) and contemporary Islamic finance theory. The objective is to examine how *beneficial ownership* and *haqq al-intifa'* (usufruct) can serve as legitimate Shari'ah-compliant bases for *sukuk* issuance, particularly within the context of developing economies where traditional asset ownership may face legal or

logistical limitations.

## 2.1 Research Approach

The research follows a **multi-method qualitative approach**, combining *documentary analysis, comparative case study, and thematic fiqh-based evaluation*. It integrates classical Islamic legal principles with modern financial practices to assess how sukuk structures align with Shari'ah objectives (*maqāṣid al-Shari'ah*), namely justice, transparency, and equitable distribution of wealth. The study is interpretive in nature, seeking to understand how juristic concepts of ownership and usufruct evolve under contemporary financial conditions rather than to test hypotheses statistically. This approach is particularly suited to Islamic finance research, where legal reasoning (*ijtihād*) and normative ethics play central roles in determining the validity of financial models.

## 2.2 Data Sources

Data were collected from **primary and secondary sources**:

1. **Primary sources** include Shari'ah pronouncements, fatāwā (legal opinions), and sukuk structuring documents issued by recognized Shari'ah advisory boards in Pakistan and abroad – especially those related to the State Bank of Pakistan, Meezan Bank Limited, and the Securities and Exchange Commission of Pakistan (SECP).
2. **Secondary sources** include scholarly literature on Islamic commercial law, reports from international Islamic finance institutions (AAOIFI, IFSB, and IIFM), and relevant academic studies and case reports published between 2007 and 2025.
3. In addition, **archival case data** were examined, including offering circulars, sukuk prospectuses, and Shari'ah compliance reports of the three selected sukuk structures.

The triangulation of these data sources ensures both juristic authenticity and practical accuracy.

## 2.3 Case Selection and Rationale

Three sukuk models were purposefully selected based on their innovative design, Shari'ah novelty, and relevance to the study's central theme of beneficial ownership and usufruct:

1. **Jinnah Airport Ijarah Sukuk (Pakistan, 2017)** – selected as a benchmark case demonstrating *beneficial ownership (tamalluk hukmī)* over public infrastructure assets.
2. **Meezan Bank Airtime Sukuk (Pakistan, 2017)** – chosen for its pioneering use of intangible service rights (airtime) as the underlying asset, representing *manfa'ah* (usufruct).

3. **K-Electric Musharakah Sukuk (Pakistan, 2025)** – included for its contemporary innovation in retail-listed participation and its partnership-based (*shirkah al- 'aqd*) structure.

These cases collectively represent the spectrum of modern sukuk innovation—from lease-based and usufruct-based to partnership-based models—each demonstrating how Shari'ah principles are applied to evolving asset classes.

## 2.4 Analytical Framework

The analysis applies a **fiqhī-comparative framework**, integrating classical juristic principles with institutional guidelines. The evaluation follows three analytical dimensions:

1. **Shari'ah Legitimacy** – assessing whether the sukuk structure fulfills essential conditions of lawful ownership, risk-bearing, and transfer of usufruct or asset rights.
2. **Economic Functionality** – examining the structure's capacity to mobilize resources and stimulate productive economic activity without violating Shari'ah.
3. **Policy Relevance** – exploring the applicability of these models to the broader economic landscape of developing Muslim-majority countries.

The synthesis of these dimensions allows for a balanced evaluation of both doctrinal soundness and developmental potential.

## 2.5 Limitations

As a qualitative and conceptual study, this research does not involve numerical modeling or investor-level financial data. Instead, it emphasizes **Shari'ah-compliance evaluation and conceptual innovation**, focusing on legal structures and interpretive analysis. Nonetheless, the combination of fiqh-based reasoning and real-world case data provides a robust framework for understanding the practical implications of these sukuk models.

## 3. Theoretical Framework: Beneficial Ownership and Ḥaqq al-Intifā' in Shari'ah

The conceptual legitimacy of modern sukuk structures rests fundamentally on two Shari'ah principles that redefine ownership and utility within permissible economic activity: **beneficial ownership** (*tamalluk ḥukmī*) and **usufruct** (*ḥaqq al-intifā'*). Both notions derive from classical jurisprudence but have been extended in contemporary Islamic finance to address modern complexities—especially where full legal title transfer is restricted by regulation or practical constraints.

### 3.1 Beneficial Ownership (Milkiyya Naqisa)

In classical Islamic jurisprudence, *milk* (ownership) is defined as the exclusive right of disposal over property (*taṣarruf*) in a lawful manner. Ownership encompasses two dimensions: **legal title (ḥaqqīqī)** and **constructive or beneficial title (ḥukmī)**. While legal ownership denotes possession recognized by law or registration, beneficial ownership refers to a *recognized entitlement to use, benefit from, and bear risk* associated with an asset, even if the legal title remains with another entity.

This distinction finds its basis in early fiqh discussions regarding *iqrār bi al-milk* (acknowledgment of ownership) and *milk al-yad* (possession-based ownership). Classical jurists, including al-Sarakhsī and Ibn 'Ābidīn, recognized that ownership could exist in degrees—allowing for instances where legal control and beneficial use were separated yet both retained juristic validity.

In contemporary Islamic finance, beneficial ownership has been reinterpreted to accommodate trustee relationships, special purpose vehicles (SPVs), and government-linked assets where formal title cannot be transferred to investors. According to AAOIFI (Shariah Standard No. 17, *Investment Sukuk*), as long as investors acquire enforceable rights to profits, risks, and returns linked to the underlying asset, the absence of full legal title does not invalidate Shari'ah compliance.

Thus, *tamalluk ḥukmī* ensures that sukuk holders are not mere creditors—as in conventional bonds—but owners in a constructive or beneficial sense, entitled to the returns derived from the asset's performance. The principle reconciles Shari'ah ownership requirements with contemporary legal realities, especially in sovereign and infrastructural projects.

### **3.2 Ḥaqq al-Intifā' (Usufruct) as an Economic Asset**

The second cornerstone concept is *ḥaqq al-intifā'*—the right to derive benefit or utility (*manfa'ah*) from an asset without owning its corpus (*'ayn*). Classical jurists agreed that usufruct constitutes a legitimate subject of ownership (*mamlūk*), provided that the benefit is lawful, identifiable, and deliverable. This notion underpins *ijarah* (leasing), one of the oldest forms of contractual exchange in Islamic law.

The Mālikī and Ḥanbalī schools, in particular, expanded the definition of *māl* (property) to include both tangible assets and beneficial rights, provided they possess quantifiable economic value. Contemporary jurists such as Mufti Taqī Usmani affirm that *manfa'ah* and *ḥaqq* (right) are both considered *māl mutaqaawwam*—property that can be legally traded or securitized—if they generate lawful benefit and carry financial value.

This legal understanding paved the way for **usufruct-based sukuk**, such as the *Airtime Sukuk* and *Travel Rights Sukuk*, where the underlying assets are intangible services or utilities. These structures treat future benefits, not the physical assets themselves, as the securitized subject matter, allowing investors to share in lawful earnings derived from service provision or infrastructure usage.

### 3.3 Intersection of Beneficial Ownership and Usufruct in Sukuk Design

While distinct in juristic nature, beneficial ownership and usufruct often intersect in sukuk design. In several modern transactions, investors acquire a **beneficial share in the usufruct** of an asset rather than ownership of the corpus. This dual application ensures both Shari'ah authenticity and operational feasibility.

For example, in sovereign sukuk where assets remain government-owned, investors are granted beneficial ownership in the usufruct—such as toll revenues, utility rights, or lease rentals—without transferring legal title. This model upholds Shari'ah compliance through:

1. **Asset identification** (*ta'yīn al-ma'qūd 'alayh*), ensuring clarity of the securitized right.
2. **Risk and reward linkage**, ensuring that returns arise from lawful, asset-backed activity.
3. **Absence of guaranteed capital or fixed interest**, preserving the principle of risk-sharing (*ghunm bi ghurm*).

The result is a flexible yet Shari'ah-consistent mechanism that accommodates regulatory frameworks while promoting genuine economic activity.

### 3.4 Shari'ah and Legal Recognition

Modern juristic councils, including AAOIFI, the Islamic Fiqh Academy (OIC), and the Shari'ah Advisory Board of the State Bank of Pakistan, have affirmed that beneficial ownership and usufruct constitute legitimate bases for sukuk, provided that investors assume real ownership risk. The *Jinnah Airport Sukuk* (2017) and *Dubai Civil Aviation Sukuk* (2014) were both explicitly approved on this principle.

Legally, this dual recognition strengthens the asset-backing requirement, positioning beneficial ownership and usufruct as **practical instruments of Shari'ah adaptation** to contemporary legal systems. They preserve the spirit of Islamic finance—linking wealth creation to real economic activity—while facilitating broader participation in capital markets.

## 4. Case Studies of Innovative Sukuk Structures

This section presents three significant sukuk models that illustrate the evolution of Islamic capital market instruments in Pakistan. Each case exemplifies a unique approach to implementing *tamalluk hukmī* (beneficial ownership) and *haqq al-intifā'* (usufruct) within Shari'ah-compliant frameworks, offering valuable insights into both jurisprudential development and market innovation.

#### **4.1 Jinnah Airport Ijārah Sukuk (Pakistan, 2017)**

The *Jinnah Airport Ijārah Sukuk*, issued in 2017 by the Government of Pakistan, represents a milestone in the use of public infrastructure assets for Islamic financing. The sukuk was structured on the principle of *ijarah* (leasing), whereby investors were granted the **beneficial ownership** (*tamalluk hukmī*) of specific airport properties and facilities for a defined tenure, while the legal title remained with the Civil Aviation Authority (CAA).

##### **Structure and Mechanism**

Under this model, the government identified certain airport buildings and operational facilities at Jinnah International Airport, Karachi, as the underlying assets. These assets were sold on a *beneficial ownership basis* to a Special Purpose Vehicle (SPV) established to issue sukuk certificates to investors. The SPV then leased the assets back to the CAA for public use. Lease rentals, representing periodic profit payments, were distributed to sukuk holders.

Upon maturity, the assets were repurchased by the government at their nominal value, marking the completion of the lease cycle. Investors' ownership was thus limited to the period of the lease but was legally recognized as a valid form of constructive possession (*qabd hukmī*).

##### **Shari'ah Analysis**

From a Shari'ah perspective, the transaction fulfilled the essential elements of *ijarah*:

- **Identified asset and usufruct:** The airport premises and facilities were precisely specified.
- **Ownership risk and liability:** The SPV bore ownership risks during the lease period.
- **Lawful benefit:** The leased asset provided permissible public service.

While the legal title remained with the government, the investors enjoyed full usufruct rights and bore the corresponding risks—making it a legitimate instance of *tamalluk hukmī*. This structure exemplifies how beneficial ownership can ensure Shari'ah compliance even when full legal transfer is impractical for state-owned assets.

## **Innovative Features and Impact**

This sukuk's innovation lies in its recognition of **constructive ownership** as a Shari'ah-compliant equivalent to full ownership for public sector financing. It provided a model for subsequent issuances in Pakistan and other jurisdictions where sovereign assets cannot be legally transferred. The structure also expanded investor participation in national infrastructure projects, thereby fostering financial inclusion.

### **4.2 Meezan Bank Airtime Sukuk (Pakistan, 2017)**

The *Meezan Bank Airtime Sukuk* introduced a pioneering model of *usufruct-based securitization*, marking the first time in Pakistan that a sukuk was issued against intangible assets—specifically prepaid mobile airtime. This case demonstrates how *haqq al-intifa'* (usufruct rights) can form the foundation of a Shari'ah-compliant financial instrument, even when no tangible asset is involved.

#### **Structure and Mechanism**

The structure was based on *bay' al-manfa'ah* (sale of usufruct), combined with *wakalah bi al-istithmar* (investment agency). Under the arrangement, the issuing company (a telecommunications operator) sold the usufruct of a portion of its future prepaid airtime to the SPV. Investors, through the sukuk certificates, obtained ownership of this airtime's economic benefit—the right to sell or use it over a specified period.

The proceeds from the sukuk were used to finance the company's operational and infrastructural expansion. Investors earned returns based on the actual utilization of airtime services, reflecting the performance of the underlying asset.

#### **Shari'ah Analysis**

Classical jurists recognize *manfa'ah* (usufruct) as a lawful subject of trade, provided it is **determinable, deliverable, and not speculative**. The Mālikī and Ḥanbalī schools, in particular, view *intangible usufructs*—such as rights of access or usage—as valid forms of *māl mutaqaawwam* (property with economic value).

The Meezan Airtime Sukuk thus complied with Shari'ah by meeting the following conditions:

- The usufruct (airtime) was quantifiable and deliverable.
- The transaction involved a genuine transfer of rights, not a loan.
- Profit was derived from the asset's lawful use, not from interest-bearing debt.

This model established the precedent that **service-based rights** can serve as underlying assets for sukuk, expanding the scope of Shari'ah-compliant capital markets beyond traditional tangible assets.

### **Innovative Features and Impact**

The Meezan Airtime Sukuk's innovation lies in **transforming intangible economic rights into tradeable, Shari'ah-compliant instruments**. It broadened the definition of securitizable assets and demonstrated the adaptability of Islamic finance to the digital economy. Furthermore, it provided a conceptual bridge between classical Islamic law and modern service-based industries such as telecommunications, transport, and utilities.

### **4.3 K-Electric Musharakah Sukuk (Pakistan, 2025)**

The *K-Electric Musharakah Sukuk*, issued in 2025, represents a more recent innovation combining **beneficial ownership, partnership principles, and retail participation**. Structured on *shirkah al-'aqd* (contractual partnership), this sukuk allows investors to become proportionate partners in K-Electric's Integrated Business Centers (IBCs) across Karachi.

### **Structure and Mechanism**

The sukuk issuance amounted to PKR 3 billion (with a green-shoe option of PKR 1 billion), offering each certificate at PKR 10,000. Investors acquired proportional ownership in the business operations and assets of twelve IBCs. The profit-sharing ratio was defined contractually, and the investors were entitled to periodic returns based on the centers' operational performance.

Uniquely, sukuk holders were also given the option to offset their profits against electricity bills—a feature that integrated *real economy participation* with consumer utility. The Shari'ah pronouncement for this sukuk was issued by Mufti Ali Asghar, confirming its compliance under the principle of *Shirkat al-'Aqd*.

### **Shari'ah Analysis**

From a juristic standpoint, this structure satisfies the fundamental requirements of *musharakah*:

- **Mutual contribution of capital** by both the company and investors.
- **Shared risk and reward**, with profits distributed according to agreed ratios and losses borne in proportion to capital contributions.
- **Permissibility of profit adjustment**, provided it reflects lawful distribution mechanisms.

While the assets remained under K-Electric's management, investors held *beneficial ownership* in the partnership's revenues and operations. The sukuk thereby combined *tamalluk hukmi* with real commercial activity, ensuring Shari'ah authenticity.

## **Innovative Features and Impact**

The K-Electric Musharakah Sukuk stands out for its **integration of retail investors** into a corporate partnership structure, offering a model for inclusive and community-based financing. It also demonstrates how beneficial ownership principles can enable broader participation in the energy sector without compromising Shari'ah standards. This structure exemplifies the practical application of partnership-based sukuk for infrastructure and utility financing in developing economies.

## **5. Comparative Discussion: Beneficial Ownership and Usufruct in Practice**

The three sukuk models discussed—Jinnah Airport Ijarah Sukuk (2017), Meezan Bank Airtime Sukuk (2017), and K-Electric Musharakah Sukuk (2025)—illustrate the evolutionary trajectory of Pakistan's Islamic capital market, particularly in its engagement with the concepts of *beneficial ownership* and *usufruct*. Each structure represents a distinct jurisprudential application of Shari'ah principles, designed to balance legal, economic, and operational realities within the Islamic financial framework.

### **5.1 Conceptual Continuum: From Ijarah to Musharakah**

Collectively, these sukuk trace a continuum of ownership models—from *usufruct-based leasehold* (Ijarah) to *intangible asset securitization* (Airtime Sukuk), and finally to *equity-based partnership* (Musharakah). Each stage corresponds to an incremental recognition of *haqq al-intifa'* and *tamalluk hukmi* as legitimate substitutes for full legal ownership.

1. **In the Jinnah Airport Sukuk**, the state retained legal title over public infrastructure but transferred usufruct rights to investors, embodying constructive or beneficial ownership.
2. **In the Meezan Airtime Sukuk**, the asset was purely intangible—an explicit recognition that usufruct itself (*manfa'ah*) could constitute the tradable subject matter of a Shari'ah-compliant financial instrument.
3. **In the K-Electric Musharakah Sukuk**, investors acquired beneficial ownership not merely in assets or usufruct, but in the *earnings of a partnership venture*—a higher level of participation aligning with Shari'ah's ideal of *risk-sharing and productive engagement*.

Thus, these cases collectively demonstrate a movement from asset-backed to *activity-based* financing—where real economic participation supersedes symbolic asset linkages.

### **5.2 Shari'ah Parameters and Risk Distribution**

From a Shari'ah standpoint, the validity of these structures hinges on four principal criteria:

1. **Ownership and Possession (al-Milkiyyah wa al-Qabd):**  
Each sukuk ensures constructive possession (*qabd hukumī*) – whether through leasehold rights (Ijārah), sale of usufruct (Airtime), or partnership capital (Mushārah).
2. **Transfer of Usufruct (Intifā’):**  
The usufruct is clearly defined and deliverable, satisfying classical juristic conditions. The Airtime Sukuk in particular reaffirms that intangible usufruct may be a lawful subject of trade if quantifiable and not speculative.
3. **Profit-Loss Alignment:**  
The K-Electric Mushārah Sukuk fully operationalizes *risk-sharing*, while the Ijārah Sukuk provides *rental-based income* linked to asset performance.
4. **Prohibition of Riba and Gharar:**  
None of the models involve debt trading or speculative elements; returns are derived from real economic activities – use of infrastructure, sale of service units, or business operations.

Hence, despite their structural diversity, all three fulfill Shari’ah’s dual objectives of *asset linkage* and *ethical participation* in productive enterprise.

### 5.3 Economic and Developmental Significance

Beyond doctrinal integrity, these sukuk models demonstrate how Islamic finance can respond innovatively to developmental challenges:

- **Public Sector Financing (Ijārah):**  
Enables governments to mobilize funds for infrastructure without privatization or interest-bearing debt.
- **Digital Economy Integration (Airtime Sukuk):**  
Expands the frontiers of Islamic finance to include non-physical assets, vital for economies driven by technology and service industries.
- **Retail and Community Participation (Mushārah):**  
Empowers citizens as equity partners in essential utilities, thereby promoting *financial inclusion* and *shared prosperity*.

Each structure thus aligns Islamic finance with sustainable development goals – bridging faith-based ethics and fiscal innovation.

### 5.4 Comparative Table of Sukuk Structures

Feature	Jinnah Airport Ijārah Sukuk (2017)	Meezan Bank Airtime Sukuk (2017)	K-Electric Mushārah Sukuk (2025)
<b>Underlying Principle</b>	<i>Ijārah (Lease of Asset)</i>	<i>Bay’ al-Manfa’ah / Wakālah</i>	<i>Shirkah al-‘Aqd (Contractual</i>

			<i>Partnership</i> )
<b>Nature of Asset</b>	Tangible (airport infrastructure)	Intangible (airtime/usage rights)	Mixed (operational and financial assets of IBCs)
<b>Type of Ownership</b>	Beneficial ownership ( <i>tamalluk hukmī</i> ) of usufruct	Ownership of intangible usufruct rights ( <i>ḥaqq al-intifā'</i> )	Beneficial partnership ownership in business profits
<b>Profit Mechanism</b>	Fixed lease rentals	Variable based on airtime usage	Profit-sharing ratio under Musharakah
<b>Risk Distribution</b>	Lessee bears operational risk	Risk linked to service utilization	Shared business and capital risk
<b>Shari'ah Contracts Used</b>	<i>Ijārah, Purchase Undertaking</i>	<i>Wakālah bi al-Istithmār, Bay' al-Manfa'ah</i>	<i>Shirkah al-'Aqd, Undertakings</i>
<b>Innovative Aspect</b>	Use of state-owned assets without legal transfer	Securitization of intangible usufruct	Retail-based partnership in utility sector
<b>Regulatory/Market Significance</b>	Sovereign asset mobilization	Digital and telecom finance	Retail energy-sector finance
<b>Shari'ah Validity Rationale</b>	Constructive possession ensures lawful ownership	Quantifiable usufruct recognized as <i>māl</i>	Genuine partnership fulfilling profit-loss sharing

### 5.5 Synthesis and Theoretical Implications

When read together, these structures provide compelling evidence for the *functional legitimacy of beneficial ownership* within Shari'ah jurisprudence. The acceptance of *usufruct rights* and *constructive ownership* as securitizable assets reaffirms Islam's adaptive economic spirit—its ability to accommodate evolving forms of property and commerce without violating foundational prohibitions. More importantly, these models collectively demonstrate that the moral essence of Shari'ah-compliant finance lies not in the physicality of assets, but in the **realness of economic engagement**—where investors share in utility, risk, and social benefit. This shift from “form” to “function” aligns Islamic finance with its maqāsid (objectives): justice, risk-sharing, and the equitable distribution of wealth.

### 5.6 Comparative Perspective: Meezan Bank Airtime Sukuk and Global

## Usufruct-Based Structures

The Meezan Bank Airtime Sukuk represents Pakistan's entry into a class of Islamic financial innovations that securitize *intangible rights of use* rather than physical assets. Similar structures have appeared in several Gulf jurisdictions, demonstrating how Shari'ah principles can accommodate the realities of digital and service-oriented economies.

Globally, the earliest application of the *airtime-manfa'ah* model emerged in **Saudi Arabia (2007)**, when *Etihad Etisalat Company (Mobily)* introduced an Islamic syndicated financing based on the sale of airtime minutes. That transaction established the jurisprudential foundation for treating telecom capacity as a quantifiable usufruct capable of ownership and transfer. Subsequently, **Etisalat (UAE)** and **Ooredoo (Qatar)** refined the structure within their sukuk programs, emphasizing the use of *wakalah* and *ijarah al-manfa'ah* contracts to securitize future usage rights.

Meezan Bank's adaptation of the same concept in 2017 marked an important regional development. It localized the model for Pakistan's regulatory environment, combining *wakalah bi al-istithmar* with *bay' al-manfa'ah* and using prepaid airtime cards as the tangible representation of usufruct units. By doing so, it addressed two challenges simultaneously: (1) the scarcity of unencumbered tangible assets available for Islamic securitization, and (2) the need for Shari'ah-compliant instruments suited to the rapidly expanding telecom sector.

The comparative assessment below shows both the shared Shari'ah logic and the distinctive operational features of these structures.

**Comparative Table: Global Usufruct-Based (Airtime) Sukuk**

Issuer / Country	Year of Issuance	Underlying Asset / Usufruct	Primary Contracts Used	Shari'ah Principle Employed	Innovative or Distinctive Element	Outcome / Market Significance
<b>Mobily (Etihad Etisalat), Saudi Arabia</b>	2007	Telecom airtime capacity (minutes)	<i>Ijarah al-manfa'ah</i> and <i>wakalah</i>	Sale of quantified usufruct	First recognition of airtime as securitizable <i>manfa'ah</i>	Pioneered intangible-asset sukuk in telecom sector
<b>Etisalat, United Arab</b>	2010 (program)	Telecom service usage	<i>Bay' al-manfa'ah</i> and	Beneficial ownership in service	Introduced hybrid agency-	Enhanced regional acceptance

Emirates		rights	<i>wakālah bi al-istithmār</i>	rights	lease structure; basis for later Ooredoo model	of non-tangible assets
Ooredoo, Qatar	2013	Airtime and telecom network capacity	<i>Ijārah al-manfa'ah</i> under <i>wakālah</i> framework	Usufruct securitization with risk sharing	Large-scale international sukuk (USD 1.5 billion) using intangible rights	Demonstrated scalability of manfa'ah sukuk
Meezan Bank / Pakistan Mobile Comm. Ltd (PMCL)	2017	Prepaid airtime cards (voice + data)	<i>Wakālah bi al-istithmār, bay' al-manfa'ah</i> , agency undertakings	Constructive ownership ( <i>tamalluk hukmī</i> ) of service units	Localization for Pakistan; precise serial-number ownership; regulatory recognition by SECP and Shari'ah Board	First Pakistani issuance based entirely on intangible usufruct
Proposed / Comparative Insight	—	Any quantifiable right of use (e.g., travel, data, electricity usage)	Hybrid of <i>ijārah, wakālah, mushārakah</i>	Expansion of manfa'ah to new sectors	Model transferable to utilities, aviation, and digital services	Framework for future Shari'ah-compliant innovation

### Analytical Summary

All four issuances share a fundamental Shari'ah premise: *usufruct (manfa'ah)* constitutes a legitimate form of property (*māl mutaqaawwam*) if its scope, duration, and economic value are clearly defined. What differentiates the Meezan Airtime Sukuk is its **methodological precision and local adaptation**—its use of identifiable serial numbers to prove constructive possession, its hybrid contractual layering to align with Pakistan's legal

regime, and its role in extending Islamic finance into digital infrastructure.

The Gulf-based precedents illustrate international acceptance, while Meezan's model demonstrates *translatability*—how a principle validated in one jurisdiction can be indigenized elsewhere without compromising Shari'ah authenticity. Collectively, these experiences affirm the viability of usufruct-based sukuk as a frontier instrument for asset-light, service-oriented economies.

The comparative overview above highlights how *manfa'ah*-based sukuk, across jurisdictions from Saudi Arabia to Pakistan, have matured into credible and Shari'ah-compliant instruments of financing. Each case demonstrates the adaptability of Islamic jurisprudence in accommodating emerging economic realities—whether through securitization of airtime, leasing of service rights, or beneficial ownership in partnership ventures. Yet, this very diversity also exposes gaps in legal standardization, investor protection, and regulatory clarity. To translate the promise of these innovative models into a sustainable Islamic capital market—especially in developing economies—a coherent framework of policy support, Shari'ah harmonization, and institutional capacity-building is essential. The following section outlines key recommendations and strategic directions to achieve this objective.

## **6. Policy Recommendations and Future Directions**

The preceding theoretical and case-based analysis shows that *beneficial ownership* (*tamalluk hukmī*) and *ḥaqq al-intifā'* (usufruct) are not merely doctrinal curiosities but practical instruments for mobilizing Shari'ah-compliant capital in contexts where legal title transfer is difficult or undesirable. To translate this potential into systemic benefits for developing economies, regulators, Shari'ah boards, issuers, and market participants should adopt a coordinated set of policy, legal, and market-development measures. The recommendations below are grouped by stakeholder and are written to be actionable for policymakers and practitioners.

### **6.1 For Regulators and Public Authorities**

- 1. Create Clear Legal Recognition for Beneficial Ownership**  
Adopt statutory definitions and registries recognizing *beneficial ownership* and *constructive possession* for securitization purposes. Where public assets cannot be transferred (for reasons of sovereignty, strategic importance, or public policy), the law should explicitly permit transfer of usufruct or beneficial rights to SPVs or trustees for the duration of sukuk contracts, while preserving ultimate public title. This reduces legal ambiguity and attracts institutional investors.
- 2. Standardize Contractual Templates and Disclosure Requirements**  
Issue model documentation and disclosure standards for usufruct- and

beneficial-ownership sukuk (prospectuses, trust declarations, purchase/lease undertakings). Regulators should require that offering documents clearly specify the exact nature of the right being sold (serial numbers, lease areas, revenue streams), the method of valuation, and recourse arrangements so investors and Shari'ah auditors can verify asset linkage.

**3. Permit Flexible Tax Treatment**

Design tax rules that do not penalize constructive ownership or usufruct transfers (for example, by avoiding property transfer taxes that would make beneficial ownership structures prohibitive). Tax neutrality for securitized beneficial interests will encourage issuers to prefer Shari'ah-compliant solutions over conventional borrowing.

**4. Promote Sovereign/Quasi-Sovereign Pilots**

Governments should consider pilot issuances (e.g., small-scale airport leases, toll collections, utility concessions) to demonstrate feasibility, build investor confidence, and develop precedents for public-asset securitization without legal title transfer.

## **6.2 For Shari'ah Boards and Standard-Setters**

**1. Consolidate Guidance on Tamalluk Ḥukmī and Manfa'ah**

National Shari'ah authorities, in coordination with AAOIFI and IFSB, should publish concise guidance papers clarifying the necessary conditions—specificity, deliverability, enforceability, and risk transfer—under which beneficial ownership and usufruct may underpin sukuk. Clear doctrinal checkpoints reduce divergence among advisory boards and increase market predictability.

**2. Define Acceptable Recourse and Guarantee Boundaries**

Shari'ah guidance should delineate permissible guarantees (e.g., purchase undertakings tied to non-interest compensation) and unacceptable devices that convert ownership into disguised debt. Advice should make explicit when charity-clauses, buyback undertakings, or government backstops are allowable morphologies and when they undermine risk-sharing.

**3. Encourage Ethical Structuring**

Shari'ah boards should promote structures that prioritize economic substance over legal form. That includes ensuring that investors can enforce usufruct rights, access accounting information, and exercise recourse against trust assets where necessary. Boards should require that SPVs and trustees are operationally independent and that income streams are ring-fenced.

### **6.3 For Issuers and Financial Institutions**

#### **1. Design Investor-Friendly Transparency Mechanisms**

Issuers should provide searchable registries (online) of securitized usufruct items (e.g., serial numbers for airtime vouchers, GIS coordinates for leased land parcels, schedule of concession revenues). Real-time or periodic operational reporting helps reconcile Shari'ah requirements with modern investor due diligence.

#### **2. Develop Retail-Friendly Features Carefully**

The K-Electric model shows the promise of retail inclusion (bill offset features). However, issuers must carefully design such conveniences so they remain voluntary, non-coercive, and do not inadvertently convert returns into quasi-debt. Clear opt-in procedures and transparent profit allocation are essential.

#### **3. Use Hybrid Structures Prudently**

Where issuers lack sufficient tangible assets, hybrid sukuk combining wakālah, ijārah-manfa'ah and mushārah elements can be useful. But each element must be contractually independent and economically substantive to avoid legalistic façades.

### **6.4 For Market Infrastructure and Capacity Building**

#### **1. Create Specialized Trustees and Custodian Services**

Develop a cadre of professional trustees, registrars, and custodians with expertise in beneficial-ownership documentation, SPV administration, and enforcement of trust assets in insolvency scenarios.

#### **2. Strengthen Secondary Markets and Liquidity Facilities**

Policymakers and industry should cooperate to create platforms and market-making facilities for sukuk based on usufruct/beneficial ownership, improving price discovery and investor exit options.

#### **3. Invest in Shari'ah Literacy and Investor Education**

Conduct workshops for institutional investors, pension funds, and retail communities explaining the nature of beneficial ownership and usufruct, their risk-return profiles, and legal protections. Higher knowledge reduces mispricing and conservatism that impede market development.

### **6.5 For International and Regional Cooperation**

#### **1. Mutual Recognition of Structures**

Cross-jurisdictional harmonization (e.g., memoranda between regulatory authorities) will encourage international investors. Harmonized

definitions of usufruct and beneficial ownership ease cross-border issuance and allocation.

## 2. Technical Assistance for Small States

Multilateral development banks and Islamic finance institutions should offer technical assistance for small island states (e.g., the Maldives) to design usufruct-based financings for tourism infrastructure, fisheries concessions, and renewable energy projects.

## 7. Conclusion

This paper has argued that *beneficial ownership* (*tamalluk hukmī*) and *ḥaqq al-intifā'* (usufruct) are doctrinally defensible and practically powerful bases for contemporary sukuk issuance. Through a fiqh-informed comparative analysis of three Pakistani cases – Jinnah Airport Ijārah Sukuk, Meezan Bank Airtime Sukuk, and K-Electric Mushārah Sukuk – we have shown how Shari'ah principles can accommodate legal and economic constraints while preserving the core Islamic values of risk-sharing, asset-linkage, and productive participation.

Key conclusions are:

- **Doctrinal Validity:** Classical juristic categories, when read in light of modern commercial practice and AAOIFI/IFSB guidance, permit beneficial ownership and usufruct as securitizable assets, provided the rights are specific, enforceable, and connected to real economic activity.
- **Developmental Utility:** These models offer governments and private firms a Shari'ah-compliant alternative to interest-bearing debt, enabling infrastructure financing, digital economy investment, and retail inclusion.
- **Guardrails Are Crucial:** To prevent the reappearance of debt-like instruments in Islamic form, robust legal frameworks, clear Shari'ah standards, and transparent market practices are necessary. Charity clauses, buyback undertakings, or guarantees must not negate genuine risk transfer.
- **Scalability and Innovation:** With appropriate regulatory, standard-setting, and market infrastructure, usufruct and beneficial-ownership sukuk can be scaled across sectors – telecom, aviation, utilities, and project finance – and adapted for small states and developing economies.

This paper therefore recommends a concerted policy effort – combining legal reform, Shari'ah harmonization, capacity building, and pilot projects – to unlock the full strategic potential of these sukuk structures. Doing so will allow Islamic finance to play a constructive role in sustainable development agendas while safeguarding doctrinal integrity.

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